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Government History Documentation Project
Ronald Reagan Gubernatorial Era

William R. Gianelli

THE CALIFORNIA STATE DEPARTMENT OF WATER RESOURCES, 1967-1973

An Interview Conducted by
Malca Chall
in 1985

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WILLIAM R. GIANELLI

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PREFACE

California government and politics from 1966 through 1974 are the focus of the Reagan Gubernatorial Era Series of the state Government History Documentation Project, conducted by the Regional Oral History Office of The Bancroft Library with the participation of the oral history programs at the Davis and Los Angeles campuses of the University of California, Claremont Graduate School, and California State University at Fullerton. This series of interviews carries forward studies of significant issues and processes in public administration begun by the Regional Oral History Office in 1969. In previous series, interviews with over 220 legislators, elected and appointed officials, and others active in public life during the governorships of Earl Warren, Goodwin Knight, and Edmund Brown, Sr., were completed and are now available to scholars.

The first unit in the Government History Documentation Project, the Earl Warren Series, produced interviews with Warren himself and others centered on key developments in politics and government administration at the state and county level, innovations in criminal justice, public health, and social welfare from 1925-1953. Interviews in the Knight-Brown Era continued the earlier inquiries into the nature of the governor's office and its relations with executive departments and the legislature, and explored the rapid social and economic changes in the years 1953-1966, as well as preserving Brown's own account of his extensive political career. Among the issues documented were the rise and fall of the Democratic party; establishment of the California Water Plan; election law changes, reapportionment and new political techniques; education and various social programs.

During Ronald Reagan's years as governor, important changes became evident in California government and politics. His administration marked an end to the progressive period which had provided the determining outlines of government organization and political strategy since 1910 and the beginning of a period of limits in state policy and programs, the extent of which is not yet clear. Interviews in this series deal with the efforts of the administration to increase government efficiency and economy and with organizational innovations designed to expand the management capability of the governor's office, as well as critical aspects of state health, education, welfare, conservation, and criminal justice programs. Legislative and executive department narrators provide their perspectives on these efforts and their impact on the continuing process of legislative and elective politics.

Work began on the Reagan Gubernatorial Era Series in 1979. Planning and research for this phase of the project were augmented by participation of other oral history programs with experience in public affairs. Additional advisors were selected to provide relevant background for identifying persons to be interviewed and understanding of issues to be documented. Project research files, developed by the Regional Oral History Office staff to provide a systematic background for questions, were updated to add personal, topical, and chronological data for the Reagan period to the existing base of information for 1925 through 1966, and to supplement research by participating programs as needed. Valuable, continuing assistance in preparing for interviews was provided by the Hoover Institution at Stanford University, which houses the Ronald Reagan Papers, and by the State Archives in Sacramento.

An effort was made to select a range of interviewees that would reflect the increase in government responsibilities and that would represent diverse points of view. In general, participating programs were contracted to conduct interviews on topics with which they have particular expertise, with persons presently located nearby. Each interview is identified as to the originating institution. Most interviewees have been queried on a limited number of topics with which they were personally connected; a few narrators with unusual breadth of experience have been asked to discuss a multiplicity of subjects. When possible, the interviews have traced the course of specific issues leading up to and resulting from events during the Reagan administration in order to develop a sense of the continuity and interrelationships that are a significant aspect of the government process.

Throughout Reagan's years as governor, there was considerable interest and speculation concerning his potential for the presidency; by the time interviewing for this project began in late 1980, he was indeed president. Project interviewers have attempted, where appropriate, to retrieve recollections of that contemporary concern as it operated in the governor's office. The intent of the present interviews, however, is to document the course of California government from 1967 to 1974, and Reagan's impact on it. While many interviewees frame their narratives of the Sacramento years in relation to goals and performance of Reagan's national administration, their comments often clarify aspects of the gubernatorial period that were not clear at the time. Like other historical documentation, these oral histories do not in themselves provide the complete record of the past. It is hoped that they offer firsthand experience of passions and personalities that have influenced significant events past and present.

The Reagan Gubernatorial Era Series was begun with funding from the California legislature via the office of the Secretary of State and continued through the generosity of various individual donors. Several memoirs have been funded in part by the California Women in Politics Project under a grant from the National Endowment for the Humanities, including a matching grant from the Rockefeller Foundation; by the Sierra Club Project also under a NEH grant; and by the privately funded Bay Area State and Regional Planning Project. This joint funding has enabled staff working with narrators and topics related to several projects to expand the scope and thoroughness of each individual interview involved by careful coordination of their work.

The Regional Oral History Office was established to tape record autobiographical interviews with persons significant in the history of California and the West. The Office is under the administrative direction of James D. Hart, Director of the Bancroft Library, and Willa Baum, head of the Office. Copies of all interviews in the series are available for research use in The Bancroft Library, UCLA Department of Special Collections, and the State Archives in Sacramento. Selected interviews are also available at other manuscript depositories.

July 1982
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On behalf of future scholars, the Regional Oral History Office wishes to thank those who have responded to the Office's request for funds to continue documentation of Ronald Reagan's years as governor of California. Donors to the project are listed below.

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INTERVIEW HISTORY

In January 1967, Governor Ronald Reagan appointed William R. Gianelli to head the California State Department of Water Resources. Gianelli had exactly the background the governor needed for his director of the DWR: an engineer with strong water-related experience, almost all of it in California; familiarity with the state's water allocation problems and many public and private individuals and organizations concerned with complex water issues; knowledge of the State Water Project, at that time, despite some upcoming difficulties, on its way toward completion.

William Gianelli had amassed his water-related expertise through a logical progression of work-related experiences. He was graduated from the University of California at Berkeley in 1941 as a civil engineer with an irrigation option. After four years of service with the Army Corps of Engineers in the Pacific war theater he returned to California and signed on as a junior engineer in the Division of Water Resources, the predecessor agency of the Department of Water Resources. Gradually he moved up to the post of staff engineer and special assistant to the director of the department, where he remained until 1960.

During these fourteen years while he became acquainted with the state's physical water distribution problems, he had an opportunity to grasp the serious underlying political controversies which for years had stalled any constructive resolution of the issues. Many and varied engineering plans lay in the department's files while state and federal legislators, professional, and citizen's groups debated the wisdom and fairness of the plans and policies. During the administration of Governor Goodwin G. Knight, Gianelli served on a Water Lawyers Committee seeking to write a satisfactory constitutional amendment which would guarantee equal treatment to both northern and southern California in the allocation of northern water resources. At other times he represented the director of the department before legislative and congressional committees presenting testimony in favor of the long-envisioned and long-stalled California Water Project.

When in 1960, Pat Brown was elected governor he succeeded in persuading the legislature, through the Burns-Porter Act, and the voters of California, through Proposition 1--the $1.75 billion water bond measure--to construct the State Water Project. Gianelli played a key departmental role helping Director Harvey Banks and Deputy Director Ralph Brody move the Burns-Porter Act through the legislature. That accomplished, he left government service and established his consulting engineering firm in Sacramento where he remained until 1967.

Then he accepted Governor Reagan's bid to direct the Department of Water Resources and complete the State Water Project. He now confronted one of the major challenges of his career. How he successfully overcame the financial

and political hurdles which lay in the way and completed what is sometimes labelled Phase I of the project, is the basis for this oral history. California water history buffs will read again about north-south disputes, the Sacramento Delta, revenue and general obligation bonds and tidelands oil funds, the Peripheral Canal and the San Luis Drain, electric power contracts, and the Central Arizona Project.

In 1973, after water flowed in to Perris Reservoir ending its 444-mile journey through the California Aqueduct, Gianelli returned to the private sector as a consultant. His government career began again in 1981 when President Reagan appointed him Assistant Secretary of the Army for Civil Works, responsible for overseeing the civil works programs for water resources of the U.S. Army Corps of Engineers. In this interview he cogently contrasts his successful state and frustrating federal government experiences in formulating and carrying out water policy objectives.

Since May 1984 he has been living in Pebble Beach, California, as a private citizen--semi-retired. He still carries on some private consultation in water resources, is president of the Water Education Foundation, and, as a Reagan appointee, serves as chairman of the Panama Canal Commission. When there is time he plays golf.

His spacious book-lined office in the Gianelli's comfortable home was the setting for the three-hour interview on January 29, 1985. Referring to the topic outline sent ahead Mr. Gianelli talked easily of his years as director of the DWR, his relationship with Ronald Reagan and others in the administration and the legislature, and discussed briefly his former years with the Goodwin Knight and Pat Brown administrations. On the walls of his office and along the halls, are pictures of the many well known people in and out of state and federal government with whom Gianelli worked on development of water policy throughout his career. He plans to deposit his books and papers in UC Berkeley's Water Resources Center Archives.

Following the interview session Mrs. Gianelli graciously served lunch, during which the Gianellis talked of days past and the people they had known. But, since on that day Edwin Meese, former colleague in the Reagan gubernatorial and presidential administrations, was once again in the news as a candidate for attorney general, the present could not long be ignored.

Mr. Gianelli returned his lightly edited transcript with few changes. The Water Resources Center at the University of California at Davis provided funds to assist the production of this oral history, partially funded by this Office's ongoing Government History Documentation Project, now completing the Ronald Reagan Era Oral History Project.

Malca Chall
Interviewer-Editor

21 January 1986
Regional Oral History Office
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Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name William Reynolds Gianelli

Date of birth February 19, 1919 Place of birth Stockton, California

Father's full name John Antone Gianelli

Birthplace Genoa, Italy

Occupation Warehouseman

Mother's full name Frances Isabelle Reynolds

Birthplace Newark, New Jersey

Occupation Housewife

Where did you grow up ? Stockton, California

Present community Monterey Peninsula, California

Education Stockton High School

B.S. Degree, University of California, Berkeley

Occupation(s) Civil Engineer

Special interests or activities golf, gardening

I ADMINISTRATION OF THE DEPARTMENT OF WATER RESOURCES

[Interview 1: January 29, 1985]##

Appointment as Director, 1967

Chall: How did you come to be appointed by Ronald Reagan to be director of the Department of Water Resources?

Gianelli: It was very interesting. After the governor was elected, he appointed a number of committees throughout the state to interview people for some of his key appointments. At that time, as I recall, one of his key appointments was the director of the Department of Water Resources. He indicated quite clearly that if he were elected, he would designate, I think he said, a water engineer from northern California.

This was as opposed to Mr. [William] Warne who was not an engineer, and who, I think, during the campaign, had made quite a number of statements which pretty well positioned him with respect to Governor Reagan. So it was pretty well clear that Mr. Warne would be leaving if Governor Reagan became elected.

At any rate, these interview panels were set up throughout the state to interview people outside of government for some of the key jobs. I was very active in the water community, and of course had been, so I was interviewed by I think at least two or three of these panels as to whether or not I would be interested in being director of water resources, as to my qualifications, and so forth.

##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 78.

Gianelli: So I knew that my name was in the hopper, along with a number of others, under that process. I did not know Reagan at that time; I had never met him. As a matter of fact, at that time, I was a registered Democrat, and would have had no reason to have our paths cross. So the first real indication I had was a telephone call that I got from the governor-elect--I think it was about the middle of December--asking me if I would take on the position of director of Water Resources. Particularly he was concerned about the status of the State Water Project. It was in its early stages, and obviously, from what briefly he had read, was in trouble financially.

So we talked a few minutes. I wanted to be sure that we were on the same wave length philosophically in terms of things like public power, and finishing the water project, and all that sort of thing. As so, at the end of the conversation, which I suspect lasted about a half-an-hour, I indicated that I would be willing to take on the directorship.

And so that was it. And he said, "I'll have my press secretary call you and arrange a press conference," and so he arranged a press conference down, as I recall, in Los Angeles, in one of the hotels. I went down, and he introduced me in a press conference, and indicated I would be the director of Water Resources, and that was it.

Chall: Do you think you had any opposition, in any way, among some of the other--

Gianelli: I suspect that a Republican governor, being elected after a Democrat had been in for eight years--there were a number of people who probably felt that there were some qualified Republicans around that should have been appointed to the job. But, as I say, Reagan, early in his campaign, had indicated that if he were elected, he would appoint a water engineer from northern California, and I filled that bill, I guess. And so, as a result, he called on me.

That's really all there was to it. I didn't know him before. He made it quite clear that he knew very little about the water issues in California, and that I would be his water man, if I took the job. I indicated that under those conditions, I would take the position. And I also indicated that I'd like to have an opportunity to choose some of my deputies, and he indicated a receptiveness to that.

So, with that in mind, I accepted the job, and made arrangements to terminate my partnership in my engineering firm in Sacramento, and made arrangements to report then, as I recall, right after

Gianelli: the first of the year, which was I think the third of January, or something like that, right after his inauguration.

Chall: Actually, you'd been out in private practice, it was only about eight years, during the Brown administration?

Gianelli: Less than that, less than that. I started out as a career state employee, and advanced through the various civil service ranks until I got to about the top of the civil service structure. When I left, I was an assistant. I think my title was Assistant to the Staff Director, or something like that, to Director Harvey Banks.

I stayed throughout the first year of the Pat Brown administration, and into his second year. And one of the reasons I stayed was that I was one of the primary witnesses that appeared before the legislature in furtherance of the Burns-Porter Act and the legislation which was sponsored by Governor Edmund G. Brown.

So, actually I left state government, as I recall, in March, that would have been of 1960. So, I was in private practice from March of 1960 until January of 1967. So, it was not quite seven years.

Chall: Did you leave the Department of Water Resources because--did you feel that you would have differences of philosophy, or working arrangements, or something, with William Warne? There was no place for you?

Gianelli: No. William Warne was not the director at that time. Harvey Banks carried over as director for about two years. In fact, I think he stayed until after the election, which was November of 1960, before he left. I think he left in perhaps January of 1961, or the end of 1960. So, I never served under William Warne, and the time I left, it wasn't known that he would be the director, so I served under Harvey Banks and left during his tenure as director of Water Resources.

Chall: Any special reason?

Gianelli: No, I was contemplating a move to southern California at that time. I'd been appointed district engineer of the southern California district of the department. This was, as I recall, a few months before I actually left the department. And so my wife and I contemplated whether we wanted to move to southern California, or not.

I'd been on the verge of sort of wanting to try private practice, anyway, so I would say it was a combination of the potential move

Gianelli: to southern California, plus my own desire to move in the private sector, because I felt that I'd reached about as far as I could go in the civil service structure of the department.

Chall: Did you actually start with the, what was it, the Division of Water Resources at the time, right after your graduation as an engineer?

Gianelli: Let me reflect on that a moment. I graduated from the University of California in 1941, and I was a reserve officer; I'd taken ROTC at the university. So, I went into the service in July of 1941, and stayed there until the fall of 1945, I guess it was.

And so when I was discharged from the army, I went to work for the state engineer's office in Sacramento, and that was the old Division of Water Resources. In fact, I think I was one of the first engineers to be employed by the division at that time, following World War II. So, it was interesting to watch all these things develop during my tenure.

Chall: You spanned the history of it, actually then through Governor [Earl] Warren's--

Gianelli: Yes, Governor Warren was governor at the time that I joined the state service, and then Goodwin Knight following that. And I had not quite a year and a half with Governor Edmund G. Pat Brown, or Pat Brown, Sr. So, I served under those three governors. In fact, I guess the only governor that I haven't served under was Jerry Brown, in the water resources area.

Chall: And there were many changes that came about during that period.

Gianelli: Yes. The old Division of Water Resources was a rather small organization. It was a part of the Department of Public Works in the state of California. The big change came in 1955, when the legislature created a separate Department of Water Resources, and that change was effective, as I recall, in July of 1956.

At that time, Mr. Harvey Banks, who was state engineer, was then moved into the position of director of Water Resources, and that is the big change, and that is the time directly preceding the initiation of the State Water Project, which involved very great changes in the department.

Chall: There was a lot of controversy. It seemed to me it took a couple of years before you could get the act passed so that you could go from a division to a department.

Gianelli: Yes, it was highly controversial, and as I recall, interestingly enough, I think Caspar Weinberger, who was then a state assemblyman from San Francisco was one of the authors, or one of the prime movers, in terms of creating the Department of Water Resources. And that's where I first became acquainted with Mr. Weinberger.

And there was a lot of controversy as to how it should be created. There was a lot of argument as to the role of the department versus the California Water Commission. There were some that felt that the California Water Commission should be the strong agency in the government, and the department should be sort of a technical agency.

The way the compromise was finally worked was, the department was the strong agency, with the commission sort of in an advisory capacity with certain independent functions, but by and large, it served as an advisory group to the director of Water Resources.

Chall: In your opinion, did that work out well, considering that you were then in the building phase over those years--building the water project?

Gianelli: I think so. I think the old Division of Water Resources would not have been an adequate organization, under public works, to carry on the construction of the State Water Project. So, I think it was appropriate to create a new department, a Department of Water Resources, give it a cabinet status, and give it the kind of posture that was needed in order to carry out the water program that was then envisioned.

The Staff

Chall: You asked Governor Reagan to have a choice of your deputies, and as I recall, you appointed two men who had been with the department for quite a while, in top positions. Golzé and Teerink. You had known them, I guess.

Gianelli: Yes. I had a fundamental change in the organization when I rejoined the department. When I came in, the organization itself was run by a chief engineer, who at that time was Mr. Alfred Golzé, and the deputies that the department had, the two deputies I guess at that time, or perhps three, were used not in a line relationship.

So, as part of our economy move, it occurred to me that if I could get the appropriate people, that I could use the deputies in a line capacity, and I could do away with the chief engineer. And so that's what I did. I created what we call the directorate, with the three deputy directors. And Mr. Golzé, who was in the chief

Gianelli: engineer spot, filled one of them. Mr. Teerink, who was then in the department still as a civil servant, filled another one. Then I brought in Mr. Robert Eiland on the outside, who I know personally, and who had worked for the department many years before. But at the time I asked him to come back into service, he was in the private sector.

So, basically what I did was to bring in three engineers--two of them I was well acquainted with--and I reorganized the department, and gave each one of them an area of responsibility, a line area of responsibility, and they reported directly to me. And so that was a major change that I made in the organization when I came in as director.

Chall: Do you think you were able to do that because you were an engineer?

Gianelli: Yes, I think so. I think that the responsibilities that I gave the deputies, a lot of them were engineering matters, and because I was an engineer, I thought that we would be able to make this change. Although I think that subsequent appointments have demonstrated that you can still have a director who is not an engineer, so long as you have some qualified people underneath him, some of whom needed to be engineers.

Chall: Right. There was a great deal of work that you would have to do besides engineering, just solely administrative. How did you carry out those tasks?

Gianelli: I used the three deputies to carry out the line responsibilitites. The way we operated was sort of as a team arrangement. I did most of the legislative work; I did most of the work with outside agencies, with the federal government, and tasks of that sort. So, I used my role as sort of an overseer role, and to carry out some of the things wich I felt were extra sensitive, which needed my personal attention.

I felt that it worked out very well. I used Mr. Eiland, who, while he was an engineer, had also had a lot of experience in administrative and financial matters. So, I used him as my deputy to work in those areas, and Mr. Golzé and Mr. Teerink were largely confined to the engineering areas.

Mr. Golzé, I gave him the basic responsibility for all matters relating to the construction and design of the State Water Project, and Mr. Teerink, I gave him all the responsibilities with respect to the planning, supervision of dam safety, and other functions which were not specifically related to the construction of the State Water Project. Mr. Eiland had the administrative matters, plus the financial consultant, and activities of that sort.

Chall: It was really a juggling act from the very start. It seems to me that there were so many problems to handle at any time, especially when it was just starting, and later as you were continuing the construction. The finances, the liaison work with the federal government, getting out the budgets, and all that, seem to have required three balls in the air, maybe four.

Gianelli: One of the things that I knew, by virtue of my exposure in the private sector, and by virtue of my past experience in the department, was that the water project was under funded, and that the Pat Brown administration had not solved that problem, had not really addressed it, because they were interested in getting the project going, which they did.

So, one of the things that I felt we needed right off the bat, soon as I came in, would be an unbiased look at where the project stood from the financing standpoint. And for someone to take a look at that, and make some recommendations to our administration.

That followed. One of the first things that I did was to get the governor to appoint a special task force of knowledgeable people to look at the water project, and to give him a report. I'm sure you'll be asking questions with respect to that.[The Task Force on Water Resources]

Chall: In dealing administratively, you had over you--which was not so when you left state office--a Resources secretary--head of the Resources Agency.

Gianelli: Yes, Mr. [Norman] Livermore.

Chall: Did you have, generally, access to the governor, or did you have to go through Mr. Livermore when you wanted to deal with the finances, or any other problems that were constantly coming up?

Gianelli: I had the ability to deal directly with the governor, and to deal with the other state agencies, like the Department of Finance, directly, which I did. When we came in, the job of Resources secretary was largely a coordination effort, and a communication link with the governor's office. It did not have a large staff.

In subsequent years, that staff and the Resources Agency was built up, and they assumed more responsibilities, but by and large, Mr. Livermore was there to coordinate the activity of the various departments under him. He is the one that attended most of the cabinet meetings, but I did have access to the governor, and that was one of the things that was understood when I took the position, that is, that I would have access to the governor, and I did.

Chall: And when you wanted to see him, did you have to go through some of his staff people first, or could you just walk into his office?

Gianelli: I generally worked through the executive secretary and the cabinet secretary at that time. We had access to them, and that's normally the way it would take place. The cabinet secretary would be the one that would arrange meetings for the various department directors to meet with the governor. So, he was the primary person that I would deal with in terms of my contacts with the governor.

Chall: Is that Mr. [Win] Adams most of the time?

Gianelli: It varied. First, let's see, it was Mr. [Phillip] Battaglia, who came in and lasted about a year. Then it was Mr. [William] Clark, and then it was Mr. [Edwin] Meese. They were executive secretaries. During a portion of that period there was a cabinet secretary, too, and Mr. Adams came in, as I recall, under Mr. Meese in the last two or three years of the administration, and acted as the cabinet secretary.

I think the people that I indicated to you first were executive secretaries, and then there were cabinet secretaries. As a matter of fact, I think Mr. Clark was cabinet secretary when Mr. Battaglia was executive secretary, and I think there was some shifting of the people. But by and large, it was either the executive secretary, or the cabinet secretary, depending who it was.*

Chall: So, you didn't feel it necessary to contact Mr. Livermore first?

Gianelli: I always kept him informed, and once in a while he would go over with me in those conversations, other times I would go separately. So, there was a relationship, and he was pretty well informed on those things whenever we were going over there.

The Role of the California Water Commission

Chall: I read quite a bit of your [department] material in the Water Resources Archives at UC Berkeley and it seemed to me that you

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*The reader may want to check the list at the back of the volume to learn of interviews done with these and other members of Governor Reagan's administration.

Chall: kept your water commission quite well informed of what you were doing at all times.

Gianelli: My view was to use the water commission very largely as the agency which would have contact with the public. In other words, on controversial subjects, they would hold hearings, and would provide recommendations to me. But they would be the forum by which the public could come in and make presentatations on particular subjects. And so I used them very extensively that way.

Also, at the time I was director, I felt that there was a conflict between the director, as the builder of the State Water Project, and the director, as representing all of the agencies in the state, say for federal flood control projects. Because it seemed to me, where I was a competitor in part, as the constructor of the water project, I was also a competitor with other public agencies in California for federal funds.

So I didn't want to be accused of trying to influence the appropriations, of the State Water Project, when there were many other projects in California that needed work. So, one of the first things I did was to assign administratively, the responsibility for appearances before Congress on appropriations for flood control projects to the water commission.

Then later on, that was firmed up by way of legislation. So that was one of the functions which they performed very well, and which I felt was appropriate, because I was getting funds for Oroville Dam from the government at that time, for the State Water Project, and I felt that would put me in a conflicting position--asking for funds for Oroville Dam for flood control, while at the same time I was supposed to represent other agencies who had flood control projects in California.

The California Water Commission also had the responsibility to approve land aquisition by the department and later on was given the responsibility of naming water project features.

So it worked out very well. I was very pleased with that. In fact, I was very pleased with the water commission. One other item might be of interest to you. While I didn't initiate the appointments to the water commission, the governor's office gave me an opportunity to comment on his prospective appointments. On one or two occasions he indicated to me that he intended to appoint someone that I felt was not satisfactory. I felt there were biases by virtue of some past exposure that I had. As a result he very graciously did not recommend them for appointment, and so finally we ended with a commission, that I felt was very objective, and very good, and very unbiased. And that was one of my great concerns.

Chall: Who wrote all those fine, detailed reports to the water commission? Did you have somebody who was helping you do that?

Gianelli: Yes, that was done largely through my public information office. But one of the things that I insisted on was, of course, reviewing them prior to the time that they were finalized. Very often, I would give them the subject matter that I wanted them to include.

If there was some matter which I felt that I wanted the commission to be informed of, that maybe the staff wasn't aware of, I made certain that the staff included it, and that they got whatever information they needed in the way of back up in order to make a presentation to the commission.

So that I spent a lot of time on those, because I viewed my relationship with the commission as a very important one. And I viewed my reports to the commission as sort of a progress report on what was happening as far as the department was concerned. I think it worked out quite well that way.

Chall: Were you close to any of the members of the commission whom you would see between meetings to go over problems with, an agenda, or whatever?

Gianelli: One of the members of the commission was Clair Hill, who was an engineer from Redding, who I knew a long time before. In fact, Clair Hill, as I recall, was on the old State Water Board back in the 1940s.

Chall: He did go back a long way, didn't he?

Gianelli: He went back a long way, so I knew him professionally, and would of course see him frequently. He was also, as I recall, the chairman of the task force that I had the governor appoint. So, I had probably an extra close relationship with him.

Then during the years, I developed a close relationship with the chairman, which was Mr. Jack Chrisman, from Visalia, who originally had been appointed by Governor Brown, Sr., and he was the only appointee on the commission that was carried over by Governor Reagan. I was very pleased at that, because he was very helpful, very competent, and a very good chairman.

I would say, those two I worked much closer with on the commission than the other members, although I would see the other memebers from time to time, and of course always during commission meetings.

Chall: I understand that you were quite close, as you would be, to all the water agency people--those that we see represented in Western Water

Chall: News, one year to the other. And that they even provided you with an automobile and a chauffeur during your term. Do you recall that?

Gianelli: No, that's not true at all. No, that certainly isn't correct at all. No.

Chall: I just wanted to be sure I got that straight.

Gianelli: [chuckles] No, no, no. No, I had a state car just like everybody else did. One of the things that I used to do was to do a lot of my work when I was traveling from place to place in the state car. In fact, I even had a little light installed in the dashboard so I could read after dark when I was traveling from point to point. So I did have a person who drove me on many occasions, so that I could do a lot of my homework in the car, which I did very extensively.

That was a state car, that was a state employee, a lot of others used the state government cars at that time.

Chall: It was claimed that you had a Cadillac, and a driver given to you by the water agencies.

Gianelli: [laughs] Well, that's certainly not true. My first car was a Ford, which Mr. Warne had used, that I'd obtained. I kept it, as I recall, for two or three years. Then they had an arrangement where the directors were able to get a Highway Patrol car, which didn't have all of the Highway Patrol things on it, but was obtained under the contracts with the Highway Patrol. I think most of the directors had those. Those are the only cars I had.

Chall: Okay. Just wanted to clear it up.

Gianelli: That's very important. It's interesting how rumors like that can go.

Chall: That's what we try to clarify by oral history. All right. I think we'll just get into some of the major controversies that you had as director, or problems, and then we'll touch on some other matters as we go along. One other question that I have about the organization, however, and that is, how did you deal with your staff? William Warne had a meeting once a week with all his principal staff people--I think at seven-thirty every Monday morning, something like that--and had very careful charts to delineate where things were going, and a system called PROMPT--to help keep track of the movement of the project. What did you do?

Gianelli: We had what I call a directorate meeting. I think I indicated to you earlier that by virtue of my appointing the three deputy

Gianelli: directors, we formed a team of four of us. But I augmented that team, that directorate, with a chief counsel, and then I generally had the public information officer, and maybe the financial advisor in at that time, too.

So, we did have a meeting, a weekly meeting. As I recall, it was eight o'clock every Monday morning -- it wasn't seven-thirty, it was eight o'clock--and perhaps met for a couple of hours talking about the past week, talking about the coming week, and at that time exchanging information back and forth which was important for all of us to be informed on.

So, basically, organizationally, that's the way I operated, although we had numerous briefings during the week in which certain members of the staff were involved on certain subjects. Very often, the deputies, or some of the deputies, would be involved with those briefings, depending upon what the subject was. That's basically the way I operated.

Chall: You hadn't had any major administrative experience with a large staff prior to this time?

Gianelli: Only within the Division of Water Resources originally, and then a little later a little bit with the Department of Water Resources. But, for example, I was in charge of water-mastering, had all the water-masters early in my career. And so that involved a dozen or so employees. Then, when I became the acting district engineer of the southern district, southern California, before I left state service, there must have been a hundred or so more people there. So, I had some administrative experience, primarily within state government.

Chall: And financing experience?

Solving the Financial Problems in Order to Complete the State Water Project

Gianelli: Financing, very little, and that was one of the things I was most concerned about. We had a financial advisor, and then the state, at that time, had a financial consultant, which I retained.

Chall: Dillon Read?

Gianelli: Dillon Read in New York. They were with the project since its inception, so I continued to use them as financial consultant. Then I had my own person on the staff, senior advisor, Mr. John Hunt, who was the department's financial advisor, who interfaced

Gianelli: with Dillon Read. All that came under Mr. Eiland, who had had some experience because he had worked with some construction agencies, and had had more financial experience than I had. And that was the chain of command in that particular area.

Chall: I see. Now, when you did get in there, as you say, Reagan himself, and certainly you, and I'm sure some in the department--Mr. Hunt, in his final report to Mr. Warne--thought that there would be financial problems down the road. So, you developed a task force to survey and evaluate the project. Can you tell me, not necessarily in detail, what their recommendations were? How they helped you?

Gianelli: This is one of the things that I felt the governor needed very badly, would be to have an independent analysis of exactly where the project stood. Because I, along with many others, knew that the project was under financed, and that something would have to be done to take care of that shortfall prior to its completion, if it were going to be completed successfully.

And I would say the shortfall was no one's particular responsibility; it's the way the Burns-Porter Act developed. And it was, as I recall in the discussions with Edmund Brown, Sr. It was his judgement that $1.75 billion general obligation bond issue was about all that could be sold to the public, and so that provided a limit.

In addition, as the Burns-Porter Act went through the legislature, there was some erosion of that by virtue of the Davis-Grunsky Act--the earmarking of a certain amount of it for the Davis-Grunsky Act, and certain offset provisions. Also there was no amount provided for cost escalation in the project costs as it went ahead.

Again, that was done intentionally because, I think, for two reasons. As I recall, Governor Brown, Sr. and the department people, at the earlier stages, felt that no one could tell what the escalation would be over the period of the construction of the project. And again, if you'd put in some escalation, it would have run the cost of the bond issue much over what the judgment was of the then Governor Edmund Brown Sr. on what the public might be able to vote for successfully.

So there was no doubt about it in my mind that we had a great problem, particularly in the financial area. And there were also some difficult engineering problems. One of the big arguments when I came in was just starting to develop. That was how should the state get the water over the Tehachapi mountains. There were arguments with the Metropolitan Water District as to how that should be done.

Gianelli: So, I knew that there were both very difficult engineering problems that still had to be faced by the department, as well as the financial problem. The assignment of the task force mission was primarily to look at the problem of financing, but also to give us any other views they had with respect to the project as they looked at that.

And that's why I asked the governor to put on this task force a variety of people who had expertise in a variety of professions.

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Gianelli: We needed to look at the project in depth. We wanted them to give us some specific recommendations. I'd say that worked out very well, because, as I recall, only a few months after we were in office, I think still the spring of 1967, the task force came up with a report and pointed out that we were going to be some $300 million shy, I think by 1972, and $600 million shy by 1980 or whatever the date was, to complete the project as it was then started.

So then I had the problem of, "What do we do about it?" and that leads into a number of other things which I'm sure you'll be interested to ask questions on.

Chall: All right. You're talking about finishing it as it was designed. In that $600 million figure, you were considering also the Drain and Peripheral Canal?

Gianelli: Certain elements, yes. There were certain contributions made for both of those items as I recall, in the $600 million deficit, because they were originally projected to be completed by the 1980s, so they were included in it. I don't believe they were both included in the 1972 shortfall, because I think the Drain was estimated to come on at a later date, and I think the Peripheral Canal was, too.

At any rate, the six hundred did include, as I recall, those items. The three hundred, that we had to face by 1972, I think were not.

Chall: You then, and I guess the task force also, thought you might delay some construction like the Eel River and the Peripheral Canal.

Gianelli: The Eel River came along later, and that's another subject. You see, the state had contracts with all the water service agencies, and the financial integrity of the water project depended upon the state delivering water to those water supply contractors, so they could make a payment to the state, so the state could retire their bonds.

Gianelli: So, my concern was to complete those features which would protect the integrity of the State Water Project. Others could be delayed for a later date, and also, I felt that some of the facilities could be staged. In other words, you wouldn't need the full water requirements right away so you could add on features later.

But my number one concern was to build those things which were necessary to supply water to the thirty-one water supply contractors, to maintain the financial integrity of the project. Because every administration that had been involved with the project indicated that it would be so designed so as not to be a lien on the general tax base of the state.

What that meant was that you had to so design the project that basically the revenues from it, water and power primarily, would pay the cost of debt service, and so forth. And so this was of great concern to me, and this is the thing we focused an awful lot of attention on early in our time.

When our administration came into office, only a small part of the State Water Project was under construction. It is interesting to note that during my tenure as director, all of the State Water Project facilities from Oroville Dam on the Feather to Perris Dam on Riverside County were completed and placed in operation. As I recall, we expended over $1½ billion during this period. That is why project financing was so important.

Chall: In order to get some of that funding, you either had to cut back, or stage, or delay, or you had to get money someplace else, or you had to do a little of each, I suppose.

Gianelli: Yes, but we still had a chance to dictate which parts of the project would be constructed or staged.

Chall: At the same time, as I understand it, there was some concern that the State Water Project--at least on the part of Alan Post, and I'm sure others--that the State Water Project would be monopolizing the state's bonding capacity.

Gianelli: That's correct.

Chall: If you issued more bonds, you'd have to cut somewhere else if you didn't cut the water project. So, I suppose there was quite a lot of controversy over just what to do about raising funds.

Gianelli: Yes. Yes, there was.

Chall: How did you deal with that--through the legislature and with the Department of Finance?

Gianelli: The way I dealt with the overall problem was that after we received the task force report, which identified the shortfalls of money at certain dates, I then asked the staff to come up with certain recommendations with respect to how the project might be staged.

And so we did. I have these several volumes here which include the task force report, the staff's response, and then finally what we did about those things. And what we did basically was a combination of things.

We first of all scaled back some of the, you might say, the more luxurious parts of the project which were not absolutely necessary for the operation of the project.

Chall: What might those have been?

Gianelli: Well, for example, there were some very elaborate visitor centers proposed; there were some very elaborate recreation facilities. Some of the installations were gold plated, at least I felt. So, we looked at all of those things with the idea of scaling them back to the absolute minimum to perform the services which they had to perform.

We were also able to stage some of the facilities. For example, as I recall, we didn't have to put all of the pumps in the Sacramento-San Joaquin Delta at that time, because it would be quite a number of years before the full quantity of water was needed. We also limited some of the capacity of the pumps at the Tehachapi mountains for the same reason. And some of the siphons--as you get south of the mountains, where there were two siphons--we constructed one of them.

So, we did a number of things which, for example, delayed parts of the project which ultimately would have to be built, but which were not needed right away. Because we viewed our financial problem as one that would occur in the next ten or fifteen years to complete the basic project. And we felt if we could do that, then we could pick up some of these other things later.

The Tidelands Oil Funds

Gianelli: Originally, it was intended that all of the tidelands oil funds would be dedicated to the water project. And during the Edmund G. Brown administration, they, I think, sponsored legislation--the legislature went along with it--that eliminated all of the tidelands oil funds, except, as I recall, $11 million a year. So,

Gianelli: one of the things that I did, then, with the governor's support, was to go back to the legislature and get, as I recall, an additional $14 million a year contributed from the tidelands oil funds, which made up a total of $25 million annually.

So that, combined with the austerity measures, would allow us to get through, as I recall, 1972, which is a key date. 1972 and 1973 were the dates when we would complete the project all the way into southern California, and that was my primary concern. So, we were able to both cut down parts of the project that could be deferred, and we did get additional financing largely through the legislature, with the governor's support, to give us additional funding to complete the initial features of the project.

Chall: But you also did, with the tidelands oil funds, you put them into the construction fund, and waived, for a year or two, the offset feature.

Gianelli: That's correct.

Chall: That's very interesting. The offset, or set aside, or whatever it's called--that's important.

Gianelli: What you're referring to is that the legislation as it went through, the Burns-Porter Act, provided that to the extent the Department used tidelands oil funds, these funds would offset a similar amount of the one and three-quarter billion bond issue for future additions to the Project. And I'd say that was done largely at the insistence of Senator George Miller, from Contra Costa County.

Senator Miller was concerned because of his interest in the Delta. And he was fearful that if you didn't provide for future additions to the project, the project, in order to meet its contractual commitments, might take too much water out of the Delta, and harm certainly his constituency, and the Contra Costa Bay Area. George Miller had two concerns. One of them was the offset provisions. The other one was that we build the canal that goes from the Delta to San Luis extra large to take care of the flood flows. George Miller was responsible for those two things, I know personally from my own exposure to them and my own dealings with them.

Chall: So, even though he opposed you, he made absolutely sure that the water project was going to be an effective one.

Gianelli: Right. You're right. And would be of less detriment to them; that was his theory. See, he felt that if there wasn't enough water, we might try to let the salt come in farther, so that would

Gianelli: hurt his people. And he felt that if the canal wasn't big enough, that then we would take water out during the dry part of the year, when they needed it in Contra Costa County. That's why he insisted on that thing.

So those two provisions were very important to him and to his constituents. But it's interesting now how people from that area have twisted that around. A lot of people in that area are supporters of Wild and Scenic Rivers. They're against going to the north coast. And that's what George Miller was for, was for diversion of the north coast. It's interesting.

So that was one of the background reasons why the offset was set in there, and you're correct, we did get some waiver of that. And as a matter of fact, I think to this day, there is still some of the $1.75 billion bond issue that has been set aside and has not been used for augmenting the supplies of the State Water Project. My recollection is that it's about $165 million.

Chall: Yes, it's between $165 and $168 million. Depends upon what you happen to be reading. But, had the project had enough funds, I guess it was expected that the set-aside funds would pay for all the augmentation coming up, which it never will, of course.

Gianelli: Well, the $160 now will not begin to meet what's probably required in the way of shortfalls, as far as the project yield is concerned, the 4.4 million acre-feet that's ultimately going to be required under the contracts.

Chall: That was an interesting feature of the Burns-Porter Act. Did it take a great deal of work with the legislature to do away with that offset provision?

Gianelli: Well, yes. One of the key people, of course, was Senator Gordon Cologne. Senator Gordon Cologne was the chairman, as I recall, of the Senate Water Committee. But more than that, Senator Cologne represented Riverside County, and Riverside County was the tail end of the State Water Project. Perris Reservoir was to be constructed in Riverside County.

I made it very clear that I was not going to go ahead to start the construction of Perris Reservoir until I could see enough funds available to finish it if I started it. He was originally very critical of me for taking that position, because of the adverse impact on his constituents. But I felt I had to unless I could get additional funds, because I didn't want to start a facility that couldn't be finished.

So, finally then, after we got over the wrangling back and forth, and some of the accusations he made [laughs] about what we were

Gianelli: doing, we did work together very closely. And, as I said, he was very much responsible for carrying that ball through the legislature, getting us additionl tideland oil fund money for use in completing the project.

Chall: There was quite a bit of criticism, I guess, of taking it away from education.

Gianelli: Oh, yes, there was a great argument at that time primarily between education and the water people as to who would get it. Originally, when we didn't know, back in the sixties, what might be in the tideland oil fund, Governor Brown, I can remember his statement during his inauguration, said, "We ought to take the money that we secure from one resource, oil, and use it to develop another resource, water."

Chall: Exactly. He did say that.

Gianelli: It was contemplated that all of it would be used. Then, as they got into the tideland thing, it was obvious that it was going to generate much more funds than originally contemplated, and that's when, I think, during the senior Brown administration--I wasn't in the state government, but my recollection is that they decided to limit what the State Water Project could get, and that the rest would go to education.

And there were a few other people that had a tap on that tidelands oil fund. I don't recall what they were; they were minor amounts. But education was the biggy.

Chall: Yes. And William Warne did have his disagreement with the Brown administration over that, but they said, "Eventually, you'll get the money, so let's put it into education now, because that's where we need it." So, eventually, of course, you did.

Gianelli: We got it back. At least, we got part of it back.

Chall: Yes. And then probably the most creative thing you did was to do away for a while with the offset provision because that really would tie up a lot of money.

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Chall: I have a question about the tidelands oil money which I still don't entirely understand. I always feel that if I don't understand it, somebody doing research twenty years from now may not understand it either. I'm going to read to you from a publication which I know you are familiar with--Western Water--published by the Western Water Education Foundation.

Gianelli: I'm president of that organization, now.

Chall: They do a good job of education on the subject of water.

Gianelli: They try to balance the issues.

Chall: This is about the tidelands oil money and the financing of the State Water Project. "The portion of tidelands oil money appropriated for the construction of the State Water Project is deposited in a fund called the California Water Fund. Under the Burns-Porter Act, the state Department of Water Resources is required to reimburse the California Water Fund for money appropriated (presently about $25 million a year). Today the tidelands oil repayment obligation totals $437 million. Public agencies purchasing water from the State Water Project eventually will repay tidelands' oil funds with interest. Reimbursement of the water fund is made from monies recieved from the sale of water and power after all bond, operation, and maintenance expenses have been met."*

What I don't understand--I can understand construction, and I can understand paying back the sale of the bonds, but operation and maintenance expenses I thought was separate, because that goes on forever.

Gianelli: No, let me see if I can help you a little bit. The income that the state gets from the sale of water and power has certain priorities attached to the use of that money. The first one is operation and maintenance, the theory being, you've got to operate it and maintain it if you don't do anything else. I'm not sure of all these priorities, but I'm just giving you the concept.

Then I think the next one maybe is repayment of bond obligations; that's the next call on those monies, and so forth. Somewhere down the line, your bonds that you've issued will start to be paid off, and at that time, the priority is such that then you'll have to start to repay the general fund for the tideland oil monies that have been used.

In other words, the theory being that they didn't have to be repaid right away, but that they would have to be repaid when you developed sufficient revenues to repay them. So, it's contemplated, as I recall, that the repayment of those will take place,

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*Rita Schmidt Sudman, "Cost Sharing; The State Water Project," Western Water, November/December 1983, p.6.

Gianelli: and phase in, with the repayment of the revenue bonds, which are of a higher priority. In other words, it eventually has to be paid, but it doesn't have to be paid right now. That's what it's trying to say right there.

Chall: Maintenance and operation, of course, is continual, and so that comes out of--

Gianelli: The revenues we get. Oh, yes, that's the first priority. Yes, absolutely.

Chall: These bonds, I think, what, many of them fifty-year--

Gianelli: Forty -year bonds, I think by and large, forty and maybe some fifty.

Chall: And after that the money will just come out of--

Gianelli: After that, then we pay this $400 million you see, that we're talking about.

Chall: That's for some other day.

Gianelli: That will be for tomorrow.

Chall: For tomorrow. For wherever they're going to get the rest of the water to fill in the contracted obligation.

Gianelli: Sure, at that time, maybe they'll have to be using it, a lot of it for capital improvement, as you point out that $165 million is not going to be adequate. So, either they'll have to sell additional bonds between now and then, or wait until those bonds are retired, and you pay off the water fund, and then you can use the surplus.

In other words, you won't drop the price down, you'll keep the price up, just like we're doing on our toll bridges. Originally, the theory was that you'd pay off the toll bridges, and they'd be free. And you know what's happened; they decided to use the revenue on a continual basis, like they did for the Bay bridge, and they're using it for highways or whatever else, now.

Chall: They even increased it. But presumably the water users are paying for their project.

Gianelli: They will pay for everything except those things which the legislature's designated to be paid for from the general fund, like some of the recreation, fishing enhancement.

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The Electric Power Contracts

Gianelli: Yes. The other thing we did, which we'll probably get to later, was--

Chall: You may as well get to it before I do. I have no objection.

Gianelli: Well, the other part of the ultimate package of financing was to generate the ability to sell additional bonds. And we were able to do that; we were able to sell additional bonds by virtue of a unique arrangement we worked out at Oroville for the disposition of Oroville-Thermalito power. We subsequently did it in southern California with connection to some of the power that was generated down there.

Those additional revenue bond issues generated additional funds for the State Water Project.

Chall: My understanding of the Oroville-Thermalito power arrangement was that it was already set to go before Mr. Warne left office.

Gianelli: There were discussions about it, but it wasn't set because I think most of the negotiations took place during the first year or two of our administration.

Chall: I see.

Gianelli: But I think it was hoped that that could be worked out. But we're the ones that finally negotiated the final arrangement.

Chall: The arrangement had to be worked out with all the private power companies.

Gianelli: Power utilities in the state.

Chall: Did that entail also some acceptance by the federal government, because they were utilities? Was there anything involved with federal power?

Gianelli: We had to have a federal power license in Oroville, and that was quite a problem, getting a federal power license. And I can't recall all of the issues that were involved in securing that license, but I know that it took a very long time.

And we had to have that license as I recall, before the bond people indicated we were able to market our bonds. So there was a deep involvement that involved the Federal Power Commission and the issuance of the federal power license for the Oroville-Thermalito complex.

Gianelli: One of those problems was that we had to have the time of the federal power license coincide with the length of the bonds--the time period for the pay-out of the bonds. There was a ten-year gap we had to work out with the Federal Power Commission so that we could make sure that the federal power license would go long enough so that the Oroville-Thermalito revenue bonds could be paid off, and that was a difficult period.

Chall: I think something like 1983 or '84--

Gianelli: Things have happened subsequent to that arrangement. Under the Jerry Brown administration, they terminated the contract that originally was entered into, then resold it for a higher value to, I think, Southern California Edison.

But there was a subsequent development with respect to Oroville-Thermalito power, but the point that I was concerned with, and the point that was important to us was that we be able to use the power contract to generate as I recall, another $230 million or $240 million of revenue bond issue capability to help complete some of the portions of the project which were still coming along later.

Chall: How does it work? What was the contract, as a matter of fact? These companies say that they will take the electricity, and sell it back to you at a certain rate?

Gianelli: Well, no. Basically it was that the three private power companies would agree to get all the power that we generated from the Oroville-Thermalito complex. In return for that, they would pay the state somewhere around $14 million a year for that power output.

We took that contract then, with that payment, and converted it to the revenue bond issue. The reason that was necessary was because during the operation of a project, you have dry years and you have wet years. And so they were taking a chance that the whole thing would average out so that they could get enough revenue from the power that they obtained to make this $14 million payment to the state every year, which I think probably has worked out, or did work out.

Chall: What about the power that was needed to get the water over the Tehachapis?

Gianelli: Then we had a power suppliers' contract. The power suppliers' contract was entered into between the three private utilities and the city of Los Angeles Department of Water and Power. And they agreed to furnish power to the State Water Project at a certain price, under certain conditions, under a certain demand.

Gianelli: Now, the reason we worked out that arrangement was that the Oroville-Thermalito power could be developed to meet peaking requirements of these agencies, these private power companies. Because the great demand at that time was for peaking power; it was worth a very great deal more to them than just base load. But the pumping requirements for the project we could work out and take off-peak power. So, it worked out from a financial standpoint to sell the power we generated, which was largely on-peak power, to the power companies--we could get more for it--and then to buy from these same utilities, plus the city of Los Angeles, off-peak power, to run the pumps. And that was the arrangement that we had.

Chall: Takes quite a bit of arranging, doesn't it?

Gianelli: That's right. And it worked out financially because of the difference of value in the kind of power that you develop and in the kind of power you give.

Chall: That is very expensive, that power bill.

Gianelli: Well, it is now. The original arrangement with the power suppliers, as I recall, was that they guaranteed the price, up to a certain period, and I'm not clear now exactly what that period was. It seems to me it might have been around 1983.

Chall: That's probably the 1983 that I'm thinking of.

Gianelli: Yes, it could have been 1983, could have been '83. They guaranteed the price of power. Then, subsequent to that, the price of power went up very dramatically. Of course, we had a lot of problems prior to that time with respect to the cost of power.

Chall: I should say. In the early seventies, when the power rates went up quite high--I mean, it was a very great move up because of the embargo--then what happened? Did they retain this same contract?

Gianelli: Yes; the contract, as I say, provided for power to be provided by the power suppliers at a certain rate up until 1983. As a matter of fact, I wasn't director during this latter period, but my recollection is that those private utilities and the city of Los Angeles tried very hard to get out of that obligation. But they could not, and so it cost them a very great deal to carry out the obligations of the contract.

Chall: Also, later on, one of your problems was to raise the interest rate. That required a ballot measure.* What happened to the contracts that had already been signed in 1961 for the repayment of transportation and maintenance, and construction? When the interest rates went up, then in about 1972, did you have to change the contracts in any way?

Gianelli: No, the contract provided that the water users, and the power users, on a different basis, would have to pay whatever cost the department incurred to build the project. And as interest rates went up, then that meant that on new bond issues, there would be a higher debt payment to make, and so that was reflected in the amount which the department collected from those thirty-one water supply contractors.

Chall: So their rates went up quite a bit, too, over the years.

Gianelli: Yes. The capital investment had been made, and those bonds had been sold, so they had a very favorable interest rate. We had some in the early part of our regime that went for, I think, three or four percent.

Chall: They were going for under five, yes.

Gianelli: And even when we finished the basic project in 1973, the meld of all those interest rates was, as I recall, still in the neighborhood of four something.

Chall: Is that so?

Gianelli: Very low. Because it had some very low rates, and they had not gone up by the time we sold the basic bond issue. The bond issues that came along later, like the revenue bonds issued, were higher. Some of those, if you were going to sell them today, would be marketed at a much higher rate.

As I remember, we had to go to the legislature, because I think there was a six or seven percent limit on what the state could pay, and we had to get that raised, which we did through, as you pointed out, a legislative measure, and a subsequent ballot measure.

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*Proposition 7 on the June, 1970 ballot, increased the interest ceiling on bonds from five percent to seven percent.

Chall: I'm not sure, but I think it was five, and I think you had to raise it to seven, though I could be wrong.

Gianelli: I think that may be right. Five raised to seven. I think that may be right. But there was a limitation which we had to address in later years.

Chall: Oh, yes. In the senior Brown administration, with respect to power and the concern about the large acreages, particularly in the Kern County area, Governor Brown had said that he would charge, for the use of power, to those owning 160 acres or less, the going cost of delivering the water including only the cost to pump it.* For those over 160 acres it was the market value of the power used to pump water to the land. I'm sure that's something you never paid attention to.

Gianelli: There was a big argument, however, over whether or not the state ought to do what the federal government did in terms of some sort of restriction on acreage that could be irrigated. There was a big argument on that. But, as I remember, that was finally reconciled on the basis that the State Water Project users were not getting a subsidy, like the federal government users.

The federal government, the users, at that time, of a hundred and sixty acres or less, were exempt from the interest component, so that made their water costs very low. But with the state project, they were not exempt from the interest component, and so I think there was no such restriction on the use of water for those under a state contract as there was under a federal contract.

Chall: That's right. However, between 1960 and '61, as a matter of fact, I think one of Brown's statements during the bond issue campaign and before the contracts were finally negotiated was that power would be sold at two prices. For those of a hundred and sixty acres or less, the price of power would be the actual cost; and for those owning a hundred and sixty acres or more, the price of power at market value.

Gianelli: I don't understand that, because, as I indicated to you, the main source of power was contracted with the Pacific Gas and Electric

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*See Edmund G. Brown, Sr. "The California Water Project: Personal Interest and Involvement in the Legislation, Public Support, and Construction, 1950-1966," and oral history interview conducted in 1979, in California Water Issues, 1950-1966, Regional Oral History Office, The Bancroft Library, University of California Berkeley, 1981, pp. 43a-43b.

Gianelli: Company and the other two private utilities, and that was at a fixed rate. Now there were a lot of negotiations that led up to what they would pay, but I don't remember, and I don't see how it could have worked, to have a different price for power that you charge for an individual who had a different acreage.

Chall: I don't know how they would have worked it out. It was one of those things that he said in his campaign.

Gianelli: I can't see how that could have worked. Of course, he didn't know at that time what the arrangements would be on the sale of power. But I think the practical problem was that we were faced with trying to get the most out of that power that we could. And there was a limited market for it, mainly the big private utilities within the state.

Chall: Regarding this money that you received from the raising of the rate, the interest rate--

Ginaelli: You mean the ability to sell bonds?

Chall: Yes, at the higher interest rate. SB621 was the bill that gave you your additional monies from the tidelands oil. You also recieved a $100 million loan from the general fund, as I understand it, while you were waiting results of Proposition 7. That gave you some other opportunity to move ahead. Otherwise you would have been maybe waiting for a while. And weren't there some short term--

Gianelli: Yes. I can't remember the $100 million loan, but we did issue some bond anticipation notes. And the reason we issued the bond anticipation notes is because that was before the interest ceiling was raised, and that was the only way we could market any bonds which we needed to carry out the construction. They were for a year or so duration, and they were subsequently refunded, or whatever happens to them when the long-term bonds are issued.

But that's right. As I remember, they were called bond anticipation notes, of about a year's duration, to get us over some of our hurdles when we couldn't sell regular bonds.

Chall: When you were doing this kind of maneuvering, as it were, financially, did you work primarily with the Department of Finance and with Dillon Read? What about Ivy Baker Priest? Was she instrumental--

Gianelli: Oh, yes, Ivy Baker Priest was very important because she was the person that kept in touch with all of the people on the sale of state bonds. We worked, for example, through her, and through

Gianelli: our financial consultant, Dillon Read. I used to go back and meet periodically with the bond people, potential bond customers and the rating bureaus in New York to bring them up to speed on our project, so there was very close coordination between the state Treasurer's office and our office.

Finance was involved, but not, it seems to me, as extensively as the state Treasurer's office, because we were dealing with largely marketing of bonds, and while Finance was involved with a lot of issues, of course, I don't recall them being one of the prime players.

We had a committee, and I'm just trying to remember what it was called, a bond finance committee, that had to approve the sale of the bonds, and the need for them, and all that. The director of Finance was on that, and Ivy Baker Priest was on it, and the director of Water Resources was on it. I don't remember whether there were any others or not.

But anyway, they were all very deeply involved in what was going on. But the state Treasurer was particularly a key person.

Chall: Was she knowledgeable about these kinds of issues?

Gianelli: Yes, she was knowlegeable. She had a very competent staff that we worked with. Remember, Mrs. Priest had been a U.S. Treasurer before she came back to California and was elected state treasurer. So, she had quite a bit of background in the financial area, and knew a great number of people in the financial area in New York, which was very helpful to us. But she also had a very competent staff who we worked very closely with.

Chall: That's a key spot, the treasurer of the state.

Gianelli: Yes, it was very key. It was very key to us at that time, because of her relationship and her advice on marketing of the bonds. She had all the other bond issues to market, too, and that was a big concern to her, that the bonds would be sold at an appropriate rate to keep the state's double A rating, which she was very proud of.

Setting Policies for Recreation

Chall: You'd have to be concerned with that. Now, another place, I think, where you were able to cut back on some of your expenses was with respect with the Davis-Dolwig Act, or recreation in general.

Chall: There seemed to be quite a bit of funding projected from the State Water Project for that; just philosophically, apparently, because money was not in the bill for Davis-Dolwig. It was for Davis-Grunsky.

Somewhere, I guess in your material, it was estimated, in 1966, that ten percent of the project going to recreation would be borne by the state, and a very large share of the total would be in the state park funds.

Gianelli: Yes, let me talk about that a minute, because I think it is an important part of the project and there was a lot of discussion on it in the early years. In addition to the task force, which the governor appointed to look at the financing of the State Water Project, he also appointed a recreation task force, headed by a man who was the executive director of the Wildlife Conservation Board, Raymond Nesbit.

At any rate, the point of it was we asked them to look at the potential recreational needs, and development around the State Water Project, and to make certain recommendations, which they did. And we did--you're correct--we cut down materially on some of the things that were originally hoped could be built, as recreation, as part of the State Water Project.

And as a matter of fact, I think it was during our term we worked out an arrangement where there were bond issues specifically for recreation development around the project. Those monies would not come from the water project customers, they would come from the general fund, the argument being that recreation would benefit such a large segment of the population that it was not appropriate to charge the water users and power users for that recreation benefit rather than the general taxpayer. So then there were bond issues that were related specifically to those recreation features of the project under Davis-Dolwig which the task force recommended.

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Gianelli: Certain of the recreation facilities needed to be built around the project. One of the major problems we had was that as the reservoirs were completed, they created a body of water, and they were really an attraction, then, for visitors. So we gave extra priority to the recreation around our reservoir areas where the public would come in anyway, so that we'd have some way to take care of them.

I think the recreation development that's taken place has been appropriate. It's been funded, as I say, independently of the

Gianelli: water project fund, and I think the experience demonstrates its being used by a broad segment of the public. That was a difficult problem, as was the fish and wildlife connected with the recreation, too.

Chall: I understand you had quite a bit of difficulty with the fish and wildlife people--

Gianelli: The Department of Fish and Game.

Chall: The Department of Fish and Game. Their concerns were not always the same as yours, so there was controversy. And how did you handle that?

Gianelli: That was a difficult one. That was true even with the Department of Recreation, to a certain extent. In other words, you had other departments, particularly in the Resources Agency, that had other responsibilities. For example, the Department of Fish and Game, I'm sure, felt its responsibility was to protect and to enhance the fisheries of the state.

While we had no argument with that, we felt that the project should be limited to what the water users were going to pay for to those things which were necessary for mitigation. So, we always had a continuing argument of what involved mitigation and what involved enhancement.

I'll never forget the situation that we had in Oroville. For example, the fishery people were concerned that we have cold water for the fish hatchery that was eventually constructed at Oroville for the salmon and the steelhead. They were fearful that if the water wasn't cold enough, the hatcheries would not operate properly.

So, at great expense, we incorporated into the design of Oroville, these multiple-level outlets where you could control the temperature by drawing from the lower part of the reservoir where the water would be much colder. So, we designed the dam and the reservoir with those cold water outlets in place for the hatchery.

The first year of operation at the hatchery, it turned out a lot of the small fish died of cold water virus because the water was too cold. So then we had to come along, and we went out and bought groundwater from the Oroville-Thermalito Irrigation District to heat up the water for the hatchery, after we'd made it cold at the request of fish and game. So, I used to kid Director [Ray] Arnett, director of Fish and Game at that time, that he cost the water project users a lot of money by his calculation that they needed cold water, and when we provided the cold water, it was too cold, and we had to heat it up again.

Gianelli: Their continual arguments, I would say, were concerning the amount of water you had to release from a reservoir down the stream to maintain the fishery, and things of that nature. So, we had a lot of interface with the Department of Fish and Game, and considerable, I would say, disagreement with them on what we had to pay for and what was appropriate for someone else to pay for. That's largely what it came down to.

Chall: The reimbursable and the non-reimbursable expenses.

Gianelli: Exactly.

Chall: I suppose that there's some way to solve some of these problems scientifically, but it looks as if so much of it has been kind of trial and error--like cold water; how cold is cold?

Gianelli: Right. One of the things that we found out, and I guess a lot of people already knew, was that fishery biology in not an exact science, and when one tries to predict how a fish would behave, you're really kind of not too sure sometimes whether your projections are correct. For example, it was never believed that any kind of a fish could survive a two thousand foot pumping lift at the Tehachapis in southern California. Yet, after we operated those big pumps, we found some fish in the aqueduct in southern California that only could have gotten there through these big pumps. And that was absolutely amazing to the fishery biologist who claimed that could never happen. Yet, there it was; it was happening.

So, what I think part of our problem was, and I might say--if you haven't come across it, I'm sure you would--that we at one point in time went and hired some outside fishery biologists, which created a big controversy within the Resources Agency, and within the administration. But I felt that we, the Department of Water Resources, were paying the bill, and had to make certain we had the best expertise in an unbiased way on some of the fishery requirements.

And I thought that the Department of Fish and Game, for example, did not have that responsibility, and that they would be asking for more than they would really be entitled to under a mitigation measure, which was our area of responsibility. So, we had quite a number of very heated sessions, a lot of them in the Resources Agency area.

Cahll: Were Mr. Livermore and his people there?

Gianelli: Mr. Livermore and his people were there, and also the Department of Fish and Game of course was there. And during the first part

Gianelli: of our administration, Mr. [Walter] Shannon was the director of Fish and Game, and he was a carryover from the Pat Brown administration.

Then, as I recall, two years or so into the administration, Mr. Shannon left, and Mr. Arnett was appointed. Mr. Arnett finished part of the first term, and finished the second term with the Reagan administration in Sacramento.

Chall: Was he a career man in the department as Mr. Shannon had been?

Gianelli: No, he was not. He was a very active sportsman, a very avid hunter and fisherman, and he later became president of the National Wildlife Federation. This is subsequent to his term. But my point was I think he was basically a geologist, but he was very active in the fishery community by virtue of his personal, private life, and so he was apparently selected because of his being a sportsman, or however you would call it--someone very interested in fish and wildlife.

Chall: When you hired your own people, did you hire them to put on your staff, or as consultants?

Gianelli: As consultants. Two of them were from the state of Washington, and one of them was on the staff of Humboldt State University. These were all world-wide fishery recognized experts. And they were for specific assignments, too.

Chall: Did they help?

Gianelli: I thought they helped. They gave us an independent view of some things that we were getting from the Department of Fish and Game, which we felt were more in tune with our areas of responsibility.

Chall: I see. What about William Penn Mott? Was he concerned, in terms of how much money was going into parks around the reservoirs instead of someplace else?

Gianelli: Yes. He was concerned similarly as the director of Parks and Recreation. In other words, he had responsibility for parks within the state. Let me say, going back a number of years, the Park Department of the state, (it was the Division of Parks, I think it was called) was largely interested in historic sites, and preserving monuments, and things like that. They were not actively involved in the operation of recreation facilities.

So, during our administration, as I recall, the Department of Parks and Recreation went from that sort of an organization to actually an operation that was operational in terms of operating the recreation facilities. And we built many of them, and then

Gianelli: turned them over to the parks people to operate. As a matter of fact, the State Water Project paid for certain parks and recreation employees to operate the recreation facilities.

Chall: But that would mean that anybody in Parks and Recreation would be quite concerned about developing a sort of all around kind of park department, rather than having it more water oriented than something else. And then their budget, of course, would be affected.

Gianelli: Yes. The water project paid them for a lot of the work that they did around the water project.

Chall: Does it still?

Gianelli: It still does. Certain of the facilities, particularly around the reservoirs, I think the park people now, are reimbursed from the Department of Water Resources. They were for a while. I'm not completely informed on what's going on now, but I suspect that's still the case.

There's one thing that should be mentioned at this point in time, that tied in with the early part of the project, and that was the governor's Task Force on Governmental Efficiency. I don't know whether you recall, but the governor, early in the administration, asked a number of businessmen in California to come to Sacramento, and asked a number of the big corporations to assign some of their top personnel for a period of time to the various state agencies to look at their organizations, and to make recommendations.

The Department of Water Resources was one of the state agencies where we had a part of this government efficiency team with us for about six months. And they made something like seventy or eighty recommendations on how the department could improve its operation, looking at it from the businessman, private venture standpoint.

And as I remember, we implemented sixty or seventy of those recommendations that were made, a lot of them to do with organization, and contracting out--things of this nature. Some of them we couldn't implement because it required legislation, and involved other people, and so forth. Early in our administration, if you look at the governor's overall program, you'll probably run into that task force, or its reports, which dealt not only with water resources, but dealt with state governemt generally. That was an important part in the early days of our administration also.

Chall: I wasn't sure whether those recommendations had come from the task force on water, or where they had come from.

Gianelli: Those were separate task forces with separate missions, and they each performed independently. My recollection is that the Water Resources Task Force came out with its recommendations, I think in May of '67, and I think that the other one took a year or something like that.

Chall: Oh, that's why. I kept running into the task force, and different dates, and I did get confused about which was which. Did you find that there was a valid carryover in terms of administration from, let's say, a business point of view, and a point of view of what can be done or accomplished in a governmental agency? Can it be transferred over as if it were a private business?

Gianelli: No, not completely. There are some things you can do, but I think there are some things that the government can do, that the private sector can't do, and vice versa. So, I would say when you have that kind of an exposure you have to try and sort them out as to which things are applicable to government, and which things are not.

I think there is still considerable argument in those general areas.

Chall: But you were in some ways, in the Department of Water Resources at least, carrying on what might be considered a business.

Gianelli: Yes, more so than some agencies, because as I view it, we were under very tight arrangements on the money that we had, and what we had to use it for, and that we had to repay it. Most governmental agencies, and this is of course what I ran into at the federal level (I don't know if you want to talk about that later) but one of the big differences is that the federal water agencies, for example, get money from the federal government, and they don't ever worry if it's ever paid back or not.

But in the state, in the department, where we had to pay off bonds, and the administration was committed not to tap the general fund to pay off those bonds, it put a great restraint, and a different complexion on the operation of the Department of Water Resources from the other departments of the state government.

While it was good in a way, it was difficult because you had a lot of the governmental constraints that hindered your ability to operate strictly as a business.

Chall: Like what kind of constraints?

Gianelli: Like approvals, inability to make independent decisions, impact on other state agencies, other control agencies who would have something to say about what you were doing, the Department of Finance, for example.

Personnel: Building Up and Reducing Staff

Chall: Even, I guess, personnel.

Gianelli: Personnel was very difficult. The other thing that we did, as I recall, (my figures may be a little off, but I think this is indicative of the magnitude), we reached a peak level of employment in the department two or three years after I came aboard, and I think the figure was something like 4600 employees. You had to recruit people with special expertise, and doing that under the civil service rules was very difficult, so that was a very great concern.

Than we had the opposite problem. At the tail end of my administration we had to reduce the work force. As I remember we reduced it from 4600 down to 2500 in four years, and doing that under the civil service system and being able to keep the people you needed in the technical area was extremely difficult.

So, the whole personnel aspect of our problem was very difficult, and it's one that I was also very proud of because we were able to go up to what we needed to get the expertise, and we were able to drop down when we were through with the positions without any mass layoffs in terms of dropping down, and without any great controversy. I think it worked out extremely well.

Chall: How could you do it without mass layoffs? Were these people just hired for a particular function?

Gianelli: No, they had to go into the civil service system, most of them, but what we were able to do, is that we worked out an arrangement, for example, with the Division of Highways, who hired a large number of technical people, to take our people as they were surplus to us. They were a larger organization than we were. And also other organizations of state government were able to take some. The Public Utility Commission I think took some employees.

Largely, we were able to transfer those people to other state agencies, but in addition we had a recruitment program in the private sector by contacting engineering firms who had need for certain people, and finding them a position. So, it didn't actually amount to the person walking in the street.

I always thought that was a very significant accomplishment, and I think you can only appreciate it if you had gone through it, because going up and then going down in a governmental organization is very difficult.

Chall: Yes, it is. While we're on the subject, then of personnel, you did have one problem, and that was your strike in May 1972. These were people who were--

Gianelli: These were the operators of the State Water Project basically. The hydroelectric operators, and the pump operators, and the water operators.

Chall: That was because there was a change in the type of job that they were then carrying?

Ginaelli: Well, we were going from a design and a construction organization into an operating organization. Again, we had a very difficult time recruiting people because of the limited number of those that would be available that we suddenly needed. So, there was dissension about salaries, working conditions, number of employees, and so forth. That's what prompted the first strike that we had. It was the first strike ever of public employees in California, I think.

Chall: I noted from, I guess it was your material, maybe it was one of your reports to the commission, that you had been working on this for quite some time, recognizing that you couldn't deal with these people as if they were nine to five workers. You have to consider a whole other kind of personnel arrangement, and I guess as you were doing that they became a little restive, shall we say?

Gianelli: Right.

Chall: Was that a serious problem to you personally?

Gianelli: Yes, very serious. I felt it very badly because in a strike situation, the striking employees essentially pull out all stops, and make all kinds of threats, and so forth. So, it was a personal problem. The governor made it very clear at the beginning of the strike that he would not tolerate a strike situation, that he felt that it was illegal, and that they would be fired if they didn't come back to work.

Under the civil service system, if an empolyee is absent without leave for five days, he would be considered to be terminated, so the governor made that very clear, and on the fifth day the employees all came back. But we had some difficult problems those first four days in keeping everything operating, because there was some damage done by the strikers as they went off on strike, and we had to repair that damage.

Gianelli: That, plus the fact that we had some facilities which were very technical to operate; we just couldn't bring anybody in. But we were able to keep the water running and the power generators working largely using our supervisory force.

And the strike ended after the fifth day, and the people came back in spite of what happened. But it was a very difficult period, very difficult indeed.

Chall: It's a kind of situation that a water engineer doesn't find himself in very often.

Gianelli: That's right, and that's one you could do without, very much, too, certainly.

Administrative Control: Contrasting the State and Federal Government

Chall: But I suppose it did lead to your understanding of what some of these problems were going to be in the future, the very near future.

There was another problem with respect to the financing. You indicated that through strict cost controls on your project, that that resulted in substantial saving, and I'm wondering about the cost controls. Was this something that you could see, or your staff could see, or was this also something that the task force on efficiency noted?

Gianelli: One of the things that I've felt, having spent some time, now, with the federal government, too, in sort of a similar capacity that I was with the state--there's a difference in organizations, and the difference in how you handle things at the state level versus the federal level.

For example, I always felt that I really ran the Department of Water Resources when I was in the state. I really felt that I was in control. I felt that the bureaucracy responded, and that everything went pretty much the way I wanted. Not that I didn't have problems, but I had control of it.

At the federal level, with the Corps of Engineers, I didn't feel I ever had control of it. There were certain things that I wanted done, and they'd say, "Yes." But then I'd find later on that out in the field if they didn't want to do it, for example, they would get to the Congress, and Congress would come in and keep us from doing some of the things we needed to do.

Gianelli: So, what I guess I'm saying is that I think that the bureaucracy at the federal level is much more entrenched, and it appalled me the way they have no reluctance at all to oppose what an administrator of that agency may want to do in terms of an administration philosophy, or good government, or whatever.

I'm absolutely amazed at that. And then that there are members of the Congress with whom they relate to accomplish their things, not necessarily what's good for the government or what's good from an admistration standpoint. Very different.

Chall: Yes, it not only is entreched, but I guess they have points of view that have been entrenched, and it's a close relationship with the Congress and the bureaucracy. The committees of Congress.

Gianelli: That's right. For example, I never felt the personal pressure from legislators, for example, to do things specifically for their area, nearly as much as I did at the federal level. And I think part of it relates to the fact that Congress has more power, in my judgement, than the legislature.

You see, the governor has the line item veto authority, and he has to have a balanced budget. Back in Washington, the president doesn't have the line item veto authority. Congress, they're experts at knowing legislation that he has to have, and putting things in there that they want personally that the administration doesn't want, but he either has to take the whole thing or none at all. Makes it much more difficult to operate the federal government.

That's why, I'm sure, every administration has trouble balancing the budget back there. The special interest groups, and the bureaucracy--they're too far removed from the taxpayer. It doesn't bother them that their things get funded, even though they're not in the name of the overall public interest.

Chall: And they might be interested in the taxpayer in their own district, if they pull something through for them. Sometimes that's done in the last few weeks of an administration, not only an administration, but of a Congress. And, as you say, you take it all or none.

Gianelli: That's right. I felt that my experience in Washington was much less satisfying than my tenure in state government, as its Director of Water Resources. They were kind of comparable, in a way in terms of their functions.

Chall: I've often wondered whether the Corps of Engineers within the army--the Department of Defense in the army--whether that's really still a place for an engineering group dealing with the civilian-public sector.

Gianelli: That's being argued right now. But the problem is that the Corps of Engineers, they do a lot of military construction, too. One of the things when I was back there that helped a lot--while our civil work stuff went down, the military was going up, so you could transfer employees more. And I think you always have to have some kind of Corps of Engineers that does work for the army. They're part of the army.

Chall: I understand that, I'm just wondering whether they should be dredging rivers and harbors--

Gianelli: Civil works.

Chall: Yes, because that could then tend to be a real boondoggle, of course.

Gianelli: The federal government is building things which in my judgment shouldn't be built. If they had to stand the test of economics, they'd never be built. That's one of the things I tried to do, to put into the federal system some of the things we did out here. In terms of repayment--

Chall: Yes.

Gianelli: Boy, nobody liked that, I'll tell you. Nobody liked that at all. They don't want to think about having to repay certain amounts. But I felt if a project's good it ought to stand the test, and that's one way to stand the test is whether the beneficiaries are willing to pay for the cost of it. But they don't want to face that at the Washington level.

Chall: Is that being considered as a part of the cost reduction program in the Reagan budget?

Gianelli: Yes. It's been considered all along, but it's tough. I don't know what ultimately is going to happen. For example, I developed a number of projects where the users of the facilites were willing to pay back more of the cost than under the [present] federal system. The Congress refused to let me build those projects because they said, "Well, we don't know whether we agree with your policies on repayment."

So, they thwarted the purposes of trying to demonstrate that you could get more money back to the federal government if they'd let us go ahead and operate it like we did out here. They didn't want to do that.

Chall: It may come to the point where you don't get projects at all, then.

Gianelli: I think that's where we're headed, because the president turned down an omnibus bill at the close of the session. I was kind of pleased, because that demonstrates that they weren't able to coerce him, and didn't have the votes to override him.

Chall: It's always been a real problem. That brings me up to another task force that Governor Reagan appointed. This was to study the 160-acre limit, although that really wasn't really a state problem, as such.

Gianelli: It was a state problem, because the state was being asked as to their position on it. We created a 160-acre task force. Earl Coke, the director of Agriculture, was on it. That time I was on it, and a few others. It was important in terms of, not state government, per se, but recommendations that the state would make to the federal government in terms of modifying that law.

Chall: Of course, that created all kinds of controversy, too, because that's been so controversial since 1930, or before. And it's still a problem. I read the Westlands Water News every now and then, and they're wrestling with getting the new rates established.

Gianelli: Yes. Year before last, I guess, Congress modernized the reclamation law, but they're now in great controversy on implementation of whatever that law says. As you say, the pot's still boiling very high.

Chall: Oh, it's just very difficult. Even if everybody accepted it, just the whole process of determining what the cost would be, and the prices. You have to run it through a computer, I'm sure.

Gianelli: Recordable contracts, and acreage equivalency, it's very involved. And then you've got a lot of people under existing projects, and you've got a lot of new ones coming along with new projects.

Chall: It's a mess.

Gianelli: Really a can of worms. Really.

Chall: It is. Did you get any flak at all from the pro-160-acre people, like Paul Taylor, and some of the others?

Gianelli: The recommendations that the task force made, as I recall, were trying to point out that it was necessary to modernize reclamation laws. And I think one of the things we said in the task force

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Governor Reagan Tackles 160-Acre Issue

THE first step by a state administration to seek to "update" the controversial land limitation provisions of the 1902 Reclamation Law was taken last month when Governor Ronald Reagan named a five-member task force to draft amendments which could be offered to Congress to "afford rational approaches to the different situations which face California agriculturists."

The Governor's action was in line with statements which he had made, before and after election, in which he termed land limitations as "archaic and unsuited to California's contemporary agricultural economy, including large-scale commercial farming." In these statements, Reagan pledged his support in an effort to lift these limitations imposed on irrigated farms obtaining supplemental water from Federal projects.

GOV. REAGAN

Named to the task force were: **Burnham Enersen** (Chairman), San Francisco attorney and Dir. of the California State Chamber of Commerce and Chmn. of its Statewide Water Resources Committee; **James F. Sorensen**, Visalia engineer, 2nd Vice-Pres. and member of the Board of Directors of the National Reclamation Association, and Executive Committeeman of the IDA; **William H. Jennings**, La Mesa, General Counsel to the Helix Irrigation District, Vice-Chmn. of the California Water Commission and an attorney for the IDA; **Breckinridge Thomas**, Fresno, attorney for the Kings River Water Association; and **Richard D. Andrews**, Fresno, attorney and former minority counsel for the U.S. Senate Interior and Insular Affairs Committee.

An 18th Century Concept

The 160-acre limitation provisions in the Reclamation Act had their origins in the 105-year-old **Homestead Act** — a measure passed by Congress in 1862 to stimulate settlement of the West.

Under the Homestead Act, any person who had filed his first papers or was a citizen at least 21 years old and head of a family could enter upon a quarter section—160 acres—of public land. After residing on and farming the land for a stipulated number of years, he was issued a patent to the land by the Federal Government.

Somehow this 160-acre concept became associated with the supplying of water by the government to developed farms as well as undeveloped arid public lands.

The late U.S. Senator Sheridan Downey, a leading authority on the land limitation issue, said in his book, **"They Would Rule the Valley"**: "The 160-acre figure bore no particular relevance to any agricultural theory of what an economic unit should be under varying soil, crop and terrain conditions; it was used because it was traditionally associated with the homestead laws in opening up the public domain."

IDA-NRA Views

In recent resolutions adopted by the **Irrigation Districts Association of California** and the **National Reclamation Association**, urging that the Reclamation Act be modernized, the directors of these long-established water associations referred to the Act as follows:

"The Reclamation Act of 1902 applied primarily to undeveloped and unirrigated public lands. Under modern farming practices a farm within that limitation usually cannot be competitively or economically operated to provide full employment and income sufficient to maintain a reasonable standard of living within the farm areas in the Reclamation States."

Would Expand Limitations

The officials of IDA and NRA pointed out that while the "original Reclamation Act had been amended to permit supplemental water deliveries to lands already irrigated, Federal Administrative Agencies have proposed to impose acreage limitations in areas which would be in conflict with the local reliance upon contracts with the Federal Government and the long-standing announced policies of the Administrative Agencies." *(An instance of this kind is the suit brought by the U.S. against the Imperial Irrigation District to upset a 30-year-old Federal ruling and apply acreage limitation within the District.)*

"At the same time, the Department of the Interior has announced plans attempting to apply land limitation policies in ground-water basin areas receiving only supplemental project water." *(A classic example here is that of the U.S. proposing to apply acreage limitation to all acres in Santa Clara and neighboring counties receiving water from the Bureau of Reclamation's San Felipe Division of CVP. Only a small percentage of water to be used in the area will be supplied by the project, but by following the water into the underground, the U.S. would apply land limitation to anyone who pumps any water in the service area for more than 160 acres.)*

IDA and NRA also declared that "the Department now asserts the continuing applicability of acreage limitation in a Reclamation project where the agency contracting to pay the reimbursable costs thereof has fully repaid all such reimbursable costs, thus controverting a basic concept and interpretation of Reclamation law which has been repeatedly recognized and ratified by Congress and has existed and been uniformly applied and relied upon since the passage of the Reclamation Act of 1902." *(A good illustration of this situation is that of Isabella Dam on the Kern River—a Federal project—where the entire Federal contribution to water conservation benefit has been repaid to the government by the farmers owning rights to the water, but the U.S. has told the landowners that land limitations will nevertheless be enforced.)*

Governor Reagan's Committee is expected to bring to his attention these and other examples of impractical and harassing application of the old land limitation law which creates inequity with other Federal programs both on and off the land, causes difficulty in developing much needed supplemental water projects, and has an unsettling effect on great areas of privately owned and developed farm land.

Gianelli: report, as I recall, was that the 160-acre thing was no longer applicable, it ought to be some different figure, because it takes many more acres now and a lot of farm equipment to make a farm unit.

So, I think we recommended that the 160 be changed to, I don't remember, 640, or whatever it was, and that people that used water on more than 640 acres pay the full interest component, that those under it would not pay it. But the whole thing was moot because the arguments continued, and then the modification was made--

Cahll: Not very long ago.

Gianelli: A year or so ago. But it's still not solved.

Controlling Costs

Chall: No, it isn't. When you indicated that one of the ways that you were able to save money and continue financing the State Water Project was that you had developed strict cost controls, which resulted in substantial savings, what kind of cost controls? How do you set up a strict cost control, and actually make sure that you're holding it?

Gianelli: Well, we went ahead and had the engineers reestimate the cost of works that were still to be constructed on a staged proposition. And so then, as the bids came in, we were able to keep control of whether the bids matched the cost estimates, the cost estimates being the thing that we used to determine whether we were going to have enough money or not.

And I think it worked pretty well. It put a burden on some of the employees. For example, on preparing contract bids, to prepare them in a way that had options. Maybe we provided an option of whether someone should put in steel pipe or concrete pipe, and then we would take the cheaper of the two, for example, and match that against what the estimates were to begin with.

So that primarily the way we did it was to keep a running account, and then any overruns had to be justified very extensively. Word got around very quickly that change orders were to be held to a minimum. Change orders is where you can get into a lot of additional cost, when you tell a contractor, "We want you to do this in addition to what you've already done." If you don't have a strict control, then he can charge you more

Gianelli: because he's already doing the job. So, we had a very strict limit on change orders, for example, and had to have them reviewed very thoroughly as to their justification.

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Chall: I wanted to back up a bit, because I had read, and you had mentioned, the problem of getting water over the Tehachapis. At one time I'd read that it was an engineering problem that you had to solve. I think you just said that too. How did you solve it? What was the problem?

Gianelli: The problem was physically how you would get it over there, because what you were talking about, basically, was lifting more water higher than it had ever been lifted anywhere in the world. That was the technical problem. So, the question then became, how do you do it?

The state--and this was developing as I came in--was arguing that you could do it in one lift. The Metropolitan Water District, who was the main recipient, said it ought to be done in two lifts. And we finally prevailed. They hired an outside consultant to check us, we did some more studies on it, and finally we just said, "We think that the single lift is the way to do it. We think the pumps can be designed." We'd had some laboratories over in Europe that had some prototype pumps that we had them look at.

And we felt that, because of the earthquake potential there, it was desirable to keep everything underground and to do it in one lift if we could. So, we prevailed, I would say, over the objection of Metropolitan Water District. Their feeling was that you couldn't design that big a pump to work without a lot of problems.

Anyway, I made that decision. We prevailed on that argument, and I think, now, since the pumps have been operating now for more than eleven years, I think it's been proven that our decision was right. They've been operating with a minimal amount of problems, nothing more than you would find in other places, even though it required technology reaching out farther than it had ever reached before in the design of such tremendous pumps. So, that was one of the difficult engineering problems that we had.

Chall: Certainly was. Who built it, some European company?

Gianelli: No, the pumps were built by Alis Chalmers and Westinghouse, the big pumps and generators, and our engineers designed the crossing with advice from the best consultants that we could get--soils and seismic consultants, and pump consultants, and others. So, basically, the department engineers designed it with input from

Gianelli: the most highly qualified consultants that we could find anywhere in the world, and with experimenting in some of the laboratories in Europe.

Chall: Quite an achievement.

Gianelli: Yes. And I feel really good about it because with all of that controversy that we had on how it should be done, the one we chose seems to have been working out very well.

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II POLICY JUDGMENTS: COMPLETING THE STATE WATER PROJECT

The Peripheral Canal

Chall: We'll now talk about finishing or completing the State Water Project, areas that you were looking ahead to but could delay--didn't want to, of course, too long. How about the Peripheral Canal and the related Delta water quality studies?

Gianelli: The Peripheral Canal was a Delta facility, I guess is what I should say. It was extremely important in terms of the success of the State Water Project. Because the studies that had been made over the years, and there were a great many of them, indicated that if you just released water down the Sacramento River, and picked it up with pumps, as you took more water south, out of the pumps, you would have to waste a lot more to the ocean. So, some conveyance facility, if you want to call it that, was necessary.

Originally, there was a proposal that would have gone through and enlarged some of the existing channels, and so forth. But that was rejected, largely by the fishery interests, by the recreation interests, as being too detrimental to their causes. And so, prior to the time that I got there, the Peripheral Canal concept was developed, and Director Warne, before he left the directorship, authorized its construction and indicated he could do this under the Burns-Porter Act. The Peripheral Canal was determined to be the best facility, and it should be constructed as the Delta water facility for conveying water across the Delta.

When I came in, I asked the staff to look particularly at the timing. I wasn't arguing about the need for it, but the timing. I was convinced, after the staff made the necessary studies, that this is a facility that wasn't needed for some time. And so we said, "We will put it on the deferred list," and I think the first deferral was to 1976 or something like that.

Gianelli: At any rate, my conclusion was that that was necessary, all right, but it was not necessary as early as originally envisioned, because the pumps could still operate, without it being in place, effectively, for a period of time.

Chall: Why did you think that? You didn't think the water was needed?

Gianelli: We looked at the demands that were being placed on the system by the customers who had water supply contracts. And comparing those demands with our capabilities, with the existing pumps in the Delta, and the existing facilities, we thought that we could meet the demand requirements with a given water quality for longer than they originally estimated. That was as a result of quite a number of studies that had been made.

Chall: However, there were other problems with respect to the canal, in terms of getting it built, even later. In May 1970, when you gave a report on the activities of the department to the California Water Commission, you said that Governor Reagan had thrown the full weight of the state administration behind the proposed federal-state Peripheral Canal. And you, I guess together, issued a strong statement in support of this as a vital part of the State Water Project, and the Central Valley Project.

"He (meaning Governor Reagan) reached the state position after lengthy cabinet consideration of this issue, and after hearing from a great number of people favoring the canal." Was Governor Reagan really taking, in his cabinet meetings, a lot of information about the canal?

Gianelli: As I remember, I briefed the cabinet on this thing, I think more than once. His information largely came through those cabinet sessions, and the pros and cons at that time. Because I think there were still people who were advocating that there was a better way of doing it than the Peripheral Canal, and that was what prompted, I think, the many discussions which we had.

Chall: Wasn't there also some concern about building it as a state project alone, if the federal government wouldn't go along with it?

Gianelli: Yes, we felt, and I felt, that the federal government needed it just as bad as the state government needed it, and that it should be a joint facility. In other words, it should be a joint project by the Central Valley Project and the State Water Project, and there would be some sharing of the cost of it, and construction by the two agencies.

Originally it was designed to take care of the amount of water that would be needed for both projects.

Chall: But I guess the federal government wasn't putting much money into the Central Valley Project.

Gianelli: The federal government wasn't putting a lot of effort into it, and also, it had not been authorized for federal participation. Remember, San Luis was specifically authorized by the Congress as a joint federal-state facility. The Peripheral Canal had not been specifically authorized, and there was some argument whether or not the federal government had to have a special authorization for it. And I'm not quite clear how that was finally resolved.

But at any rate, I think subsequently the feeling was that the state would go ahead with it, and then be reimbursed by the federal government if they weren't ready to put up their money at the time the state was ready to go. But there was a relationship with the federal government on that issue.

But the federal government had supported the Peripheral Canal too, the Bureau of Reclamation, because the original federal-state task force that recommended the Peripheral Canal consisted of representatives of the Bureau of Reclamation, as well as the Department of Water Resources, and so there was no doubt that they felt it was the best facility. The problem was, what do they need in order to bring it about?

Chall: There were also other problems not having to do only with whether you needed it at any particular time, and that was with the Delta water people, and various water control studies. I guess the major one was the Water Resources Control Board Study Report.

Gianelli: The decision on water quality.

Chall: Very high standards. I think you said it was too high, that it would cut down on the quantity of water to the State Water Project, and they claimed that if you didn't develop these standards you'd turn the Delta into another Lake Erie. There were these kinds of arguments.

Gianelli: Yes, these arguments went on kind of continuously, yes.

Chall: There's quite a skein of bureaucracies in the Delta. National, state, local, all the other concerns. Not only the bureaucracies, but the private fish and game people, and the environmentalists, and all of that. That didn't make you very happy from time to time, as I understand. You got rather angry at the whole--

Gianelli: The thing that I was concerned with was that the legislature had authorized the State Water Project, we had contracts, and we had some obligations. We, on the studies that had been made for the Delta, for example, said that we felt that if you maintained a

Gianelli: certain quality, which largely would protect the agricultural area of the Delta, that that should constitute our obligation. Keep in mind that in years past, before any dams were built, the salt water intruded, in dry years, all the way up as far as Stockton and Sacramento.

So, we felt, the people that designed the project felt, that if the project took on the responsibility of maintaining quality for the agricultural area, that should take care of the obligations of the project insofar as the Delta was concerned. Then the argument came in, "Well, what about all the fish, does that adequately protect the fish?" That's when the state board came up with the decision, 1485, or whatever it was, which said that the state would have to maintain quality at points lower. And that's when I said, "Wait a minute, they haven't demonstrated that need. That will create some great problems because that means we'll have to waste a lot more water than we thought."

And that argument's still going on, as a matter of fact, from a quality standpoint. But largely, the problem is not so much that you'd have a Lake Erie, it's how much the salt water would intrude from the ocean into the Delta. So, it was a question of how much of the Delta was salt water, and how much was fresh water. That was really the problem rather than pollution from toxics. That wasn't a major consideration at that time. It was the salt water intruding.

Chall: And then there were arguments with the federal government about to what extent they would be concerned with the water quality, too.

Gianelli: Yes, because, you see, the decision that I was talking about would have applied to the federal Central Valley Project, so then they didn't agree with it either, but they came back and said, "Well, we don't have to comply to the state law." So we got into the big argument of federal-state relations.

Which wasn't true. We never argued that. Our department, the state project--we said we had to comply with state law. We were just arguing that they were wrong. The federal government took the tack that they don't have to comply with state law, which added a whole new complex argument into the issue.

Chall: Rather a large can of worms on the whole. Hasn't been solved yet, has it?

Gianelli: Not really.

Chall: And can it be?

Gianelli: This is the way I sized it up, anyway. We determined, when we advocated the Peripheral Canal, that the state project--Bill Warne had legally authorized the Peripheral Canal--didn't have to go back to the legislature, didn't have to go back to the people. We had the attorney general's opinion to back that up, because the Burns-Porter Act specifically talked about a Delta facility, although it didn't identify it. We felt that you didn't have to have any further authorization.

Now, when Jerry Brown came in--this is my view of what he did, and they may have another view--the Peripheral Canal was still very controversial. Largely, people in the Delta, who were fearful if you built the facility around the Delta, then they wouldn't get the free ride of all the water they'd been getting from the reservoirs, and it would detrimentally affect them.

He, then, took the position that the legislature has to specifically authorize the Peripheral Canal. Then he put together a package which included not only the Peripheral Canal, but a lot of other things, which went up to a $13 billion price tag. A lot of other things that were really not relevant to the functioning of the project. And of course, that was turned down by the people, as you know, and then of course that's more recently developed into the wrangle between Deukmejian and the legislature. And the legislature turned down Deukmejian kind of on the same thing.

So the problem, as I see it, was not solely a defeat of the Peripheral Canal by the people, but a defeat of the measure that Jerry Brown put together which had the Peripheral Canal and a lot of other things included with it. And I think it was the price tag that scared off the people, not so much the Peripheral Canal.

But right now, the fact that Jerry Brown did go to the legislature and to the people, and the fact of Deukmejian going to the legislature, I think has made it more difficult. Because now you've got the emotion, and you've got the politics, you've got the north-south thing, and if there was one thing that the Burns-Porter Act was trying to do, was to remove the project from political maneuvering and partisan issues.

And now, my interpretation is that the Peripheral Canal is right back in the middle of partisan, sectional differences, and I don't know how they're going to unscramble it. The way Deukmejian was planning now, was not to build the Peripheral Canal, but to build something different. But even that--you see, he had trouble last year. So, the Delta issue is still not resolved.

Chall: Do you think that, really, the environmental concerns are not that great?

Gianelli: I think that people are trying to get more out of the two water projects than was ever intended, and more than they're legally entitled to. That's my judgment. And that's why, basically, the controversy, I think.

Chall: By more, you actually think that the Peripheral Canal will provide more water?

Gianelli: The Peripheral Canal would allow the state and federal projects to operate to meet their commitments, and at the same time maintain a certain quality of water in the Delta. Now, the argument is, by the opponents, that that quality in the Delta is not adequate. And that gets to that decision of the Water Resources Control Board, and subsequent points that have been made.

It depends upon where you sit as to what's adequate, I expect.

Chall: Do you think the Peripheral Canal is necessary?

Gianelli: Yes. I think it's necessary, or something similar to it. And originally it was proposed, and Deukmejian proposed, to go out and enlarge some of the channels. That's an alternative, but it was originally rejected largely by fish and game, and others, who felt that it would be more detrimental than the Peripheral Canal.

The Peripheral Canal was really adopted at the insistence of the fishery and recreation interests, not the water interests. It didn't fly, so now they're back to what they originally talked about before the Peripheral Canal was conceived, and that is enlargement of the existing channel. But that's still running up against trouble, too.

Chall: That's only a way to get somewhat more water down into both water projects. But for the full entitlement of the 4.4 million acre-feet of water, will they still have to go into the north coast?

Gianelli: They'll have to go somewhere.

Chall: I see.

Gianelli: They'll have to develop some new water supplies that are not there in the Delta now if you meet the Delta requirements that have been set forth, and are now assumed to be needed. There's not enough water. But you see, the other thing that's happened is that the contractors have not needed the water as fast as they thought. So, the 4.4 MAF--I don't know what they're using now, 2.5 MAF, or something like that.

So, the point of it is that they've had additional time, but at some point of time, there'll be a day of reckoning. As the use,

Gianelli: and as the Colorado River is withdrawn for Arizona, there will be further need to meet these contractual commitments. And that's when it's really going to be tough.

The Environmentalists

Chall: You had some concerns and arguments with the environmentalists during this period. There's been a lot written about what you said. Do you ever feel, perhaps, after all these years, that maybe they are right about something?

Gianelli: I think the environmentalists have a viewpoint which needs to be considered. But, for example, there was a concerted effort by the environmental community to defeat the rising of the interest rate so we could sell additional bonds. And if you go back into the history you'll find that there was opposition at every point to completing the project.

I felt, as director, a mandate by the people and by the legislature to finish the project as designed. And I felt that the environmentalists were largely reflecting the opposition to the project in the first place, which I felt had been resolved by the majority of the people. And I expressed, in a vociferous way, as you pointed out, my unhappiness with what they were doing, because I felt they were trying to thwart the will of the people, which I had been put in the job to carry out.

And I still feel that way. I think there's a point of reason, and a point to which they're entitled, but I think some of the views that have been expressed by the Bay Area, and particularly by the Contra Costa interests, also, are not reasonable. It is not reasonable to expect a solution to all of their problems from the State Water Project.

I felt, for example, that a good part of the pollution of the Western Delta and the bay is due to the "gook" which they dump in from their own industry. But you see, they would never admit that, they would always say, "Our problem's caused because you're taking the water south." But I think the facts that were developed show that a lot of the pollution in the Bay Area, and the problems in the South Bay, were caused by their own dumping of undesirable material into those areas.

But they were trying to mask that by blaming the transport of water, and I was very critical of it. I still am; I think that's still true.

Chall: Of course, you've read all these articles about what you said, but I did pick up one with a slightly different point of view. It was in the California Journal.

It was another one of your statements but quite different from the rest in which you said, "In spite of our professional pride, engineers would be making a big mistake in continuing to write off the environmental coalition as a bunch of eco-freaks." So, I suppose you changed somewhere to get along with the Sierra Club?

Gianelli: I don't know that we were ever bosom buddies. I guess one of my basic problems was that I felt that the water project enhanced the environment in a lot of areas. For example, you take southern California. We created some great bodies of reservoirs where people now enjoy great fishing and recreation. I always felt that that was an environmental plus that we didn't get any credit for.

San Luis Reservoir is one of the greatest bass fisheries in the country. And so my position was that I thought the environmentalists were being unfair in that they were always asking us to do more, and not giving us credit for the things that we did do. I guess that's still my basic feeling.

I don't view myself as being anti-environmentalist, but I view myself as being, I think, anti-extreme environmentalists. At least that's the way I characterize myself. [chuckles] Which they may or may not agree with depending on where they stand, where their interests are.

Chall: It's a continuing controversy.

Gianelli: It is, and it requires a careful balance, there's no doubt about that.

Dos Rios

Chall: Over the years more is understood than it was when the water project was designed. Well, that gets us into the problem of the Drain. No, before we go into the Drain, let's talk about Dos Rios. That was an attempt to develop a water resource in the north coast, which was then planned, I guess, to an extent, for both the State Water Project, and the Central Valley Project?

Gianelli: Let me talk a little bit about Dos Rios. Perhaps that would help you a little bit. Dos Rios was a project that had been designed by the Army Corps of Engineers to provide both flood control and water supply benefits. It was designed as a result of, I guess

Gianelli: it was the 1955 flood, or whatever it was, on the Eel River. A lot of property was damaged up there, and some lives were lost, and so the Corps of Engineers, with its responsibility for flood control, looked to the dam at what we call the Dos Rios site, which would have inundated an area in Round Valley, not far from Ukiah.

And so the corps developed this plan, and they said, "Okay, we're going to be able to develop some water as well as provide flood control, and are you, the state, are you interested in the water?" And we said, "Yes, we're interested in the water." We had hoped to work out an arrangement whereby the corps would build it, it would be a federal project, we would pay them for the water supply that was developed, and we would integrate the supply into the State Water Project. That was what was proposed, and that's what did not pass.

The opposition developed from the Indians over there and from some of the environmental groups of which Mr. Livermore was very much a part. This is where he and I had a very difficult problem. The net result was that the state had to formally indicate whether or not it would participate, and so there were a lot of hearings held, legislative hearings, water commission hearings, on that issue.

And the governor then came down by saying, "No, the state is not going to give the federal government the guarantee now. We want you to look at other alternatives," which we then did. But by virtue of what happened it did not go, and the Dos Rios project, I would say, with what's happened since then with the designation of the area as a Wild and Scenic River and all that sort of thing, I would say the Dos Rios project is certainly dead. Any project on the north coast is dead for the forseeable future, I think.

Chall: Would the state have paid for that part of the project out of so-called set aside funds?

Gianelli: Could have. We didn't get quite that far. The thing I was looking at was probably an annual payment to them. In other words, there was a provision of federal law where the water supply of a multi-purpose project could be paid back on an annual basis over a period of time. I think we were looking, really, at that part of the thing more than anything.

Chall: More than paying it out of the State Water Project funds? The bonds?

Gianelli: Out of the bonds, yes. That didn't get a chance to develop. That would have depended on what Congress did in the way of authorization. It could have been paid off in a lump sum, like some

Gianelli: projects have, or it could have been stretched out a real long period. We really hadn't gotten far enough to nail that down, but I think it could have gone either way, as you say.

Chall: I just wondered because I know that augmentation on the north coast, presumably was supposed to come from those set aside funds, of which there weren't very many at the time, but that still was part of the Burns-Porter Act.

Gianelli: Exactly. And so did George Miller, who was responsible for that. He knew the water would have to come, probably, from the north coast, so that's why he put in the arrangements in Burns-Porter for the offset provisions.

Chall: Did you have the ear of Ronald Reagan over this? Could you go in and talk to him, knowing that you and Livermore were on opposite sides? Did you know it right along?

Gianelli: I know it early on because a lot of the opposition had made contact with Mr. Livermore, and I know where his sympathies lay. Largely, it was resolved in cabinet sessions, I would say.

Chall: Were you in on some of these cabinet meetings?

Gianelli: Yes.

Chall: How did you feel they were going?

Gianelli: The governor did not flatly turn it down. He said, "We think you should look at alternatives." I felt that he was very largely influenced by the Indian community. In fact, I think he made a statement at that time that he wanted to avoid, if at all possible, an inundated Round Valley, which was quite an Indian settlement at that time, because he felt that the Indians had been mistreated around the country, and that he didn't want to contribute further to it unless it was absolutely necessary.

My own feeling was that he was very largely influenced by the Indian community and the people who were representing them, in terms of not going ahead with the arrangement at that time that we had worked out with the Corps of Engineers.

Chall: Was that a surprise to you, that the Indians would be a factor in this?

Gianelli: Yes. I knew that they were over there, but it was a surprise to me that they would be able to exert the influence which I thought that they had exerted on the governor's decision. Mr. Livermore felt that way, too, I think.

Chall: He was surprised, too?

Gianelli: Mr. Livermore, I think, was sympathetic with the Indians, and my perception is that Mr. Livermore was probably fairly influential in terms of that decision that the governor made, to defer Dos Rios, over my desire to go ahead with it.

Chall: And then that followed in another year or so, with the Wild and Scenic Rivers Act. So, you felt further disappointment then?

Gianelli: The Wild and Scenic Rivers Act I felt fairly comfortable on, because that was worked out with the governor's legislative representative, and with Senator Peter Behr, who was the prime advocate, and carried the legislation for the Wild Rivers Bill. And the way it was worked out, the reason I bought off on it, was that it provided that for the next thirteen years there would be no development in the north coast, and at the end of that time a report would be made to the legislature on the need for further development on the north coast.

So, my agreeing to that, and going along with that legislation was that I felt that we could get by. Let me back up a little bit. Originally, they wanted a longer period, twenty or twenty-five years, as I recall. Whatever it was, it was longer than thirteen. And I said, "That's too long." The thirteen was a compromise period that was worked out. I think Ed Meese, who's now back to being considered for attorney general, was important in that decision, because he was over in the cabinet at that time. But that was worked out as a compromise.

So, I didn't feel unhappy with it, because the Eel was the only one that looked like it had any feasibility from the studies made, and if we'd only been limited for thirteen years, I felt that wouldn't destroy our ability to develop it in the future, when we needed it.

Chall: And that's just about up, now.

Gianelli: Well, it's been more than up. Let's see, I think it would have been up in about '83, wouldn't it?

Chall: Well, it passed somewhere between 1972 and 1973.

Gianelli: I thought it was earlier than that.

Chall: I have '72.

Gianelli: Maybe it is about up. But they subsequently have passed it by in terms of the federal government, under the last thing that happened in the Carter administration, when Cecil Andrus declared

Gianelli: it in the federal wild and scenic river system. Now they've been arguing about that in court. What I'm saying is that subsequent events have superceded, you might say, the arrangement that was worked out in 1972, or whenever that was, on the thing.

My judgment tells me now that it will be much more difficult to get water from the north coast than it would have been as we envisioned it at that time.

Chall: When water's needed, if and when it becomes desperately needed, where do you suppose it will come from, or will such laws and acts as Wild and Scenic Rivers be revised?

Gianelli: I think that what it means is that there will have to be other alternatives developed first, whether they're the most economic or not.

Chall: What kind?

Gianelli: Off-stream development. For example, like reservoirs south of the Delta, where you can pump in some of those flood flows when they occur, and hold them there rather than going up, say to the north coast. That would be one example. Another one would be relaxing some of the water standards in the Delta so that you didn't have to let so much out for salinity control there, if that was feasible.

So, there are other things that might be done at least temporarily to forestall the need to go to the north coast. Ultimately, ultimately, I think you're going to have to go there if you're going to meet the state's water needs under the estimated demands that are anticipated.

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The San Luis Drain

Chall: Another problem that you had, of course, getting funded--this not only dealt, I guess, with the federal government, but with your own farm group--that was the Drain. Even during William Warne's administration, he couldn't get the Drain off the ground because the state farmers didn't want to pay for it in the San Joaquin Valley.

Gianelli: Yes, let me talk a little bit about the Drain, because that thing came to a head when the Reagan administration came in, too. First

Gianelli: of all, let me back up. The federal Central Valley Project had a provision, when the San Luis unit was built, that there would be a drain constructed to the Delta because they knew they would have problems in the Westlands Water District in that area.

The state knew that some day a drain would be required farther down the valley. Bill Warne was about to enter into an arrangement with the federal government for a federal-state drain, where the state would bring it from the middle of the valley, or the southern end, up to join with the federal service area, and then they would both discharge into the Delta.

I refused to enter into that agreement that Bill Warne had negotiated because I didn't feel we had any way to pay for it from the state standpoint. So then, that kind of took it a little bit off the back burner. Then the federal government proceeded to go alone with its share, and that's what's been happening ever since.

So, what happened, basically, was that the state part of the Drain, which was an authorized part of the Burns-Porter Act, hasn't been needed, and there's been no way to pay for it. So it's kind of been on the back burner, while the federal government had to go in and do it's thing, because its problem was more urgent. And that's now been climaxed with the selenium problem at Kesterson that you've been reading so much about. So that's a quick capsule of the situation with respect to the Drain.

But the master Drain is still an authorized feature of the Burns-Porter Act, but so far there's been no way found to fund it, and to repay the cost, because, basically, a lot of the people who create the problem are not the people that get benefit from it. That's the problem that the federal government is having right now.

Chall: I see. The people who create the problem don't get the benefits of it?

Gianelli: Right. Largely, the drainage water accumulates in the low regions of the trough of the San Joaquin Valley. Some of the people that create that water are up in the higher areas of the valley, so the Drain does not become a problem to them, but it becomes a problem to the people where it drains on. So that's why it's been such a difficult problem to solve.

Chall: There's no way to enforce payment from the farmers in the area?

Gianelli: Well, the San Luis unit has got some responsibility for its share of the Drain, so there was a provision made, in the federal

Gianelli: San Luis unit, to have the farmers in the Westlands Water District, in that area, who would create, largely, the problems of that project, to pay for a share of it.

Chall: You say the Drain isn't needed?

Gianelli: By the state, the state's part.

Chall: What's happening? Aren't the salts there building up?

Ginaelli: The water hasn't been that much of the problem down in the state service area. You see, the state serves down south of the King's River service area, mostly in Kern County, and so the recurrence of the drainage water there has not been such a problem as it has been in the upper San Joaquin Valley.

Chall: Will it not, eventually?

Gianelli: I don't think it ever will be the problem, but it will be a problem. I think ultimately the state will have to address it, but it hasn't had to worry about it now, so far.

Chall: Can a drain, as planned, be an effective way to get rid of the salts, and the minerals, and all of the pesticides, what we see now in the whole Kesterson problem?

Gianelli: Yes, I think that the Drain can be. You see, you have two kinds of problems with a drain. First of all, you have a quantity problem that in certain areas of the valley creates a waterlogged condition. But it isn't a quality problem. The problem with Kesterson is very largely a quality problem.

You see, up until the selenium problem, a lot of the water from the drains, from those districts, were used for the wildlife refuge down there. They liked to have that water. But it's only the sudden occurrence of things like selenium that makes the quality a great consideration.

Originally, it was anticipated that the Drain would go to the Delta and be discharged at a point where it wouldn't be any worse than receiving water, in other words, the western Delta. It wouldn't create a problem. But that was objected to by [Jerome] Waldie and by the Contra Costa people, and they were successful in getting the Congress, when they appropriated money for the federal study on the federal Drain, to not get money so they could study discharge west of Carquinez, or some point.

So my judgment of what's happened is that the western Delta interests have been successful in preventing the Drain

Gianelli: from dumping where it was originally intended, and where it probably could have been dumped without a problem. But now, they forced the drainage water to stay in the Kesterson area, and then the selenium has aggravated that, has created the big quality problem, of course, which they're now trying to deal with.

My judgment is if the Drain had been built ten or fifteen years ago, it would have been operating now with no problems. Because you wouldn't have had the concentration build up, and it would have been an accepted thing. I think it could have been demonstrated that it didn't harm the discharge waters that it dumped into. But the political reality is that it didn't allow that to happen, so now you've got a problem of concentration because there's been no place to dump it. But I think it could have solved the problem.

Chall: A lot of problems still around.

Gianelli: Yes, there are.

Chall: That's not only a political problem, but it's really scientific, because nobody is really sure what's going to happen with all the salts. Some statements were made over the years that some of these problems could be taken care of by various technical methods like reverse osmosis--of couse it would take a lot of electricity, I guess--evaporating the water leaving a great big dump of minerals somewhere which ultimately could be mined; all of these factors. Is that still possible?

Gianelli: There are studies continually being made, and it depends upon what elements you have to dispose of. If it were salt alone, you could probably dispose of that some way. But, when you have these elements, now, like selenium, and no one is quite sure what concentrations you have and what problems they create, then it throws an uncertainty into it which makes it not clear just how successful you would be dimineralizing, as you call it, or evaporating the water that's there and removing the minerals.

Chall: What about the problem of not only salts, but pesticide residues and things of this kind? Where are they going?

Gianelli: They've been looking at the problem of removing those. I think one of them has been nitrogen that they've been worried about that gets introduced, and they've looked at raising certain kinds of plant life and then harvesting that plant life. The plant life would use the nutrients. So they've been looking at various ways to get out of the water, the drainage water, those things that have been harmful. But the selenium is a new one which people don't know too much about.

Gianelli: The subject of selenium has only surfaced in the last two or three years as a problem. I'm told that selenium has occurred in the area for literally thousands of years. What's happened, apparently, is that the irrigation water has caused the selenium to leach to the surface, and that's when it concentrates and creates the new problems.

Chall: So we're really still living in the dark in terms of some of the environmental problems that we just knew nothing about a few years ago.

Gianelli: Yes. I think that's true particularly with respect to the Drain. I wouldn't say we were living in the dark, I would say we're having to learn more about it than we ever thought--

Chall: Dreamed was necessary.

Gianelli: Dreamed we would. Yes, no doubt about that.

Groundwater Management

Chall: It's claimed that most of the water that's being used by the farm interests is not the surface water, and that they're still pumping underground. That does, and will continue to create a problem. Are they not taking the surface water because it's more expensive than pumping?

Gianelli: I think largely it's been the unavailability of surface water; and this has occurred principally in the southern San Joaquin valley. Surface water is limited to areas where it's available. This has required a lot of the people to continue to pump and they can do so by just dropping a well on the property from which they can pump.

It's creating a condition of overdraft, which is a great concern, and if it keeps on, probably what it will mean is a lot of land would have to go out of production if they can't get a substitute supply, because it won't be economic to keep going down and down and down. Eventually it will run out anyway if you take out more than you put in.

Chall: Not only that, I guess it's ruining the land, as such, as you say. The salts coming up.

Gianelli: That's a function of the quality.

Chall: Of the ground.

Gianelli: The quality of the groundwater. In some areas, groundwater does have a quality problem; other areas, it's not a very difficult problem. So I think that all depends on where you're pumping, and the quality of the water that you're pumping from the groundwater.

Each time you use water, it deteriorates a certain amount, through evaporation and transportation. Then it tends to concentrate the solids. So if your water isn't very good in the first place that you pump, then it very quickly gets to the point where maybe it's not even usable for, say, things like surface irrigation.

Chall: Sometimes it just looks as if there is no solution to some of the problems that we are creating.

Gianelli: It's interesting. In San Bernardino County, along the upper reaches of the Santa Ana River, before the State Water Project was built, there was an overdraft of the groundwater supply, and they were very worried about the people who were relying on groundwater. Since the State Water Project has come in there, there's been a surplus of water, and now they've got a groundwater condition that's too high.

So exactly the reverse is happening. So they're trying to figure out how to lower the groundwater table in the area now, where before they were very worried because it was too low. It's all a matter of careful balance, and what we find is, I think in many of these areas, you go sort of from one extreme to the other.

Chall: Is there a way to organize some of these problems? The opponents to the State Water Project continue to say that you need real management; groundwater management, and irrigation controls, and understanding of waste water, et cetera. If an effort were made in that direction you might not need some of this extra water for a long period of time, according to their theories.

Gianelli: I think it's being made--for example, you take Orange County. They have imported water, but they also manage the groundwater basins. My feeling has always been that the groundwater management has to be handled at the local level, that you can't impose a whole state system because the groundwater basins are different in various areas of the state, and largely should be a local problem.

So I think groundwater management will be playing more and more a role in terms of water development. It actually is doing that in areas where you have a shortage of the supply, and you have

Gianelli: both groundwater and surface water. I think it's happening in the Santa Clara valley, too.

Santa Clara valley depends very much on pumping, but we brought in state water, and now they're bringing, through Pacheco Pass, federal water into the area. Actually, my perception is, and I think certainly the Reagan administration's, was that groundwater should be managed by local entities, but you do have to rely on the state and the federal government, big entities, where you have to bring in quantities of water from large distances in order to augment the water supply.

Chall: But it's not going to be settled until some state rules are made? State requirements?

Gianelli: There are provisions in the law now. If you have a groundwater basin that's overdrawn, you can adjudicate that. In other words, you can determine the rights. We've done that in southern California, Raymond Basin and the West Coast Basin; originally they were overdrawn. So, court action was brought to adjudicate the rights, and the court came up with the decision on how much water could be pumped and how much would have to be brought in.

So ultimately that's probably what's going to happen in most of the basins is that there will be a legal determination of who can pump how much, and then the rest of it will have to be brought in from the outside. But until you have that overdraft condition, you have that court determination, it's not possible to impose strict regulations on people.

Chall: This may take a while.

Gianelli: It may take a while.

Chall: But that may be the way it will have to go?

Gianelli: That's right. Nevada now has a law where you can't drill a well unless you get a permit from the state engineer. Before he issues a permit, he has to determine whether or not there's an overdraft in that particular groundwater basin. If there's an overdraft, then he denies it. If there's not an overdraft, he may put conditions on it, and so forth. I think that's possible.

The Central Arizona Project

Chall: One of the problems you had, and so did Mr. Warne, and so did water interests decades before, was with the Colorado River. But I

Chall: guess it was pretty well solved early in your administration by the signing of a bill by President Johnson.

Gianelli: Yes, and Senator [Carl] Hayden was involved at that time.

Chall: Senator Hayden, yes. He finally gave way. He was holding up one of your water projects until they got the Central Arizona Project.

Gianelli: Yes. What happened was that the Central Arizona Project was being held up by California congressmen, and California congressmen were very strong in their position. Then, of course, it became apparent that water development in general might dry up because you'd have people like Carl Hayden, who was very powerful in the Senate at that time, holding up California appropriations.

So our legislators pointed out that it was very important that this Colorado River issue be resolved, and so we did resolve it. And there's a picture on the wall in the hall showing the signing of it by the president. I got a letter from the governor on it, too, as a matter of fact. I think this was in '68. We played a strong role in bringing it about over a lot of objections from some southern California interests who wanted to fight it in the courts all the way.

Chall: They already had for a decade or more.

Gianelli: They fought for decades, but finally our administration persuaded them not to pursue that. So, the legislation contained a guarantee of 4.4 million [acre-feet] for California. The net effect is, when the Arizona Project is built, it will take away some water now used by the Metropolitan Water District. That's when the crunch will come on for more northern California water, I think at that time.

Chall: With whom did you work in the federal government? Did you have to go back from time to time--

Gianelli: Yes.

Chall: And work with Congressman [Harold] Johnson?

Gianelli: Congressman Johnson was very much in the middle of it. Congressman Hosmer was another one who was very important. He was sort of the water spokesperson for southern California, Craig Hosmer. And then I worked with the staffs of some of the key people, like staffs of Senator Hayden. I can't remember the person's name now. But I was very much involved with it. And of course, Northcutt Ely was an important one. He was representing some

Gianelli: of the southern California interests. And he was one of the last ones that had to be persuaded to go along with the compromise that was worked out, rather than fight it in court.

Chall: He'd been fighting that one in court for so long I guess it was hard to give it up.

Gianelli: Yes, a long time.

Chall: So, it was finally solved. Now, my feeling about it is, sometimes, that this is, oh, kind of slight of hand, because if it hadn't been that you had said to the Columbia River water basin people, "Okay, we won't talk about getting water from you for..." what was it, ten years?

Gianelli: Yes.

Chall: That that was the sticky point. I mean, it was not only Senator Hayden, but it was Senator [Henry] Jackson--

Gianelli: Jackson was invoved, you bet.

Chall: And so as long as you were willing to say, "We'll take our 4.4, and we'll leave you all alone for ten years," that was the key to solving it. Prior to that time, there was no way, while you sought northwest water.

Gianelli: I think that plus the willingness to limit ourselves to 4.4 was another critical one.

Chall: I see. How much were you asking for before? I thought it was 4.4--

Gianelli: I think the Metropolitan, I think those people were talking about 5.6 or something like that. It was considerably more than that. So the 4.4 was actually a limitation based on what they thought they might be able to get if they fought it out in court. That was the problem, the historical problem.*

The other one was that they felt if they could keep projects in the upper basin from going ahead like the Central Arizona Project, then they'd have a physical guarantee, too. They'd get more.

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* For a brief overview of the history of the Central Arizona Project, see, "Water for Arizona: The Central Arizona Project," in Western Water, May/June 1985.

Chall: You couldn't keep that out.

Gianelli: Couldn't keep that out, no. I'd say the primary players there were Carl Hayden, and "Scoop" Jackson, for the reason that you mentioned. And then, let's see, at that time, who did we have? Tom Kuchel, I think was still in the Congress. His term expired in '69. And Senator [George] Murphy was there too, but Murphy wasn't nearly as active as Kuchel was.

Chall: Well, you had to go back and forth many times, I guess.

Gianelli: Yes, many meetings.

The Western States Water Council

Chall: What was the value, then, at the time, in solving this, of the Western States Water Council? You were active in that, weren't you, on the state level?

Gianelli: The Western State Water Council was created, as I recall, a couple of years before I became director.

Chall: In 1965.

Gianelli: 1965. Okay, Bill Warne was one of the first members of it. So I took his place, or I was appointed by the governor at that time, when he left. Western States Water Council probably was created recognizing that there were a lot of problems of which that was one. But there was another thing which maybe had some influence, too, and that was the [Stewart] Udall plan for diverting water from the north coast in the northeast and, down into southern California. There was an outfit called the Advisory Committee on Western State Water Planning which I was put on by Pat Brown, which functioned largely as the outgrowth of that Udall plan, which never got anywhere. But it was kind of a plan to divert from the north coast to the southern California area.

And then the Western States Water Council, I think, was a more general thing. It wasn't so specifically related to that, but a recognition that the states had to work together, a creature of the western governors at that time.

Chall: So that took in all the western states, Oregon, and Washington, and Montana?

Gianelli: It took in, let's see, who did we have, eleven states, I think.

Chall: That's where there was the battle over whose water was going to be used for general replenishment, and it's still there, I suppose.

Gianelli: They have continual arguments about western water rights, federal claims versus state rights, all that sort of thing. They're continually going over that same ground.

Chall: Did you find these meetings useful, boring, exciting?

Gianelli: I found them educational. One of the things I found out was that--It was interesting to me that California was so far ahead of all of the other states in everything that it had done in water. No state had ever gotten into the water business itself, never built anything.

California was looked upon as the leader of all the western states in terms of moving ahead to solving its water problem. And I didn't think we gained very much out of it as Californians, but I felt that it helped educate the people in the West generally, about some of the things we'd done in California, and were doing in California.

And the main thing that it did was to provide a vehicle for information exchange, to get acquainted with the water leaders of each of those states, because you often dealt with them on various other matters. So I felt it was a worthwhile thing. That's why we so actively participated. But how much we got out of it, I think that is fairly limited. Because California, as I say, was so far ahead of everybody else.

Chall: Do you think that the state of Arizona, with the Arizona project, is going to learn anything from the state of California in terms of water use, and overdraft and all of that?

Gianelli: Yes. A couple of things are happening, in my judgment. First of all, I don't know whether you know this, but Wesley Steiner, who was a deputy director under Bill Warne for his last year in office, eventually was recruited by the state of Arizona, and became the main proponent for the Central Arizona Project. He's been down there now for, well, I think he went down there in '69. He's been down there fifteen years, and his number one assistant is Don Maughan, who also worked for the Department of Water Resources here. He was vice-chairman of the Water Resources Control Board during part of Reagan's administration, and early in Brown's, and then he quit and went to Arizona to be the number two man for Steiner, and he's been down there now ten years.

Gianelli: But the Central Arizona Project, I think, is learning that it's going to have to do more on its own, and not rely solely on the federal government. It still has a lot of money to be spent to complete the project, and in view of the tightness of federal funds and all, I think they're beginning to recognize that what we did in California they're going to have to do in part.

You see, they've been relying on a federal project completely, federal funds, and that's why it's taken them so long. But I think, even though they're still relying on them, I think they recognize now that they're going to have to do more on their own than they ever did before. So I think they're learning.

And I think they're entering into contracts as we did with water users in California, and following somewhat our practice, although they've been more heavily relying on the federal government to finance their project than we were.

Chall: Is the federal government still providing no-interest loans, and anything of that sort?

Gianelli: It has the rules of the reclamation law which apply.

Chall: They do? Still?

Gianelli: Yes. But largely I think that project is going to be very heavily for municipal and industrial, rather than agricultural purposes. There'll be some irrigation, but not heavy.

Chall: They'll be able to pay it back.

Gianelli: I think that's the plan.

III PRIVATE CITIZEN: CONTINUING INTEREST IN WATER ISSUES

Leaving the State Department of Water Resources, 1973

Chall: Now we'll get into your resignation. You got a ten-year appointment to the state Personnel Board. Is that because you wanted to get out of the administration before Reagan left office?

Ginaelli: That came right afterward. What happened was, I let it be known that when we finished the construction of the State Water Project, that I felt I really wanted to leave. I felt it had been a very high pressure job, and a very difficult one, and I'd really just about felt that I'd worn myself out.

I made it quite clear. So after we dedicated Perris and got water down to the tail end, I indicated to the governor that I'd like to leave and go back into my own consulting practice. I'd heard then on that the personnel board thing, that there was a vacant position. It had been vacant, I think, from January of that year, 1973. I left in September of '73. It hadn't been filled.

I was coming back into private practice, and of course, having been a state employee, I was interested in the personnel system. So I said to the governor's office, "That would tie in with my going back into private practice," because it only took about-- I think it was classified as a one-third-time job, or something like that. It would allow me to keep a hand in state government, which I kind of wanted to do, but in a completely different arena.

The governor, then, was kind enough to appoint me to that term, which would have run ten years. I stayed in it until I went back to Washington. Then I resigned to go back to Washington.

Chall: When did you go to Washington?

Gianelli: I went in March of 1981. So I actually served on the Personnel Board not quite eight years. I served there from--it would have been--September of '73, until March '81. About seven and a half years.

Chall: Did you find it interesting? Did the background help?

Gianelli: Yes, I found it interesting, but I think the background of being a director--That's what the governor said when he appointed me, "I think your experiences as an administrator will help the Personnel Board as it deals with state government problems," and I think it did to a very great extent. And then I also, as a result of being on the Personnel Board, served a term on the Public Employment Retirement System here. I served that by virtue of being on the Personnel Board. The Personnel Board had a rotational policy of its members being chairmen. So I rotated through, and after I became chairman, then I served, I think it turned out to be two and a half years, or something like that, on the Public Employment Retirement System Board.

Under the PERS law, a member of the Personnel Board was a member of the PERS board of directors. I found them both very interesting.

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Gianelli: I thought of going back into my other firm in Sacramento, which I guess I could have, although I had no arrangements. I decided instead to come down here [Pebble Beach] and operate as an individual, which I did.

Chall: Did you travel all over the country?

Gianelli: Mainly California. Mainly a California consultant. I represented some irrigation districts in the valley in some of their water problems, and some of the municipalities. I worked for the Turlock and Modesto Irrigation districts, the City of Los Angeles, PG & E, and SMUD [Sacramento Municipal Utility District], and others. So I did a variety of things.

Chall: And you still do?

Gianelli: No, I'm very restricted now. I consider myself to be semi-retired. And I stayed on in a non-pay status as chairman of the Panama Canal Commission. Mr. Weinberger asked me to stay on; they put in some legislation that allowed me to do that after I left my other job. So I'm doing that now, and that takes a fair amount of time. I just spent ten days--I got back last week--in Washington and Panama. We have quarterly meetings of the commission.

Chall: What is this?

Gianelli: It's the operation. The commission, under the treaty, is responsible for the operation of the Panama Canal. We have an administrator on the job full time. I'll be going back in March to testify before the Appropriations Committee on appropriations for the commission. But mainly we're an oversight policy board to running the canal, the physical running of the canal.

And I accepted the chairmanship of the Western Water Education Foundation, which is based in Sacramento, and I'm now the president of that on a non-pay, volunteer, basis. I've just been elected to the board of my country club here. And I'm doing a little work. I have a couple of people that I do a little work for; Bechtel has asked me to do some things for them, so I've been involved a little bit in the private consulting field there.

Chall: That's enough for a partly retired person.

Gianelli: It's getting to be much. I still want to play golf a little bit, too, which is why I'm here.

Chall: When you left the state, Mr. Teerink was appointed in your place. How did that come about?

Gianelli: I recommended that John be the one that should succeed me, because he was a career employee, he'd been a deputy under me, and I felt he could carry out, for the remaining time--less than a year and a half--the tasks that had to be done to move along the track that we'd started while I was there. And so the governor was gracious enough to go along with my recommendation.

Chall: Now, he said, when he took over, "We need to recognize that mistakes have been made, and the fact that public values and attitudes are changing." Do you know what he meant by that?

Gianelli: No, not for sure, except I suspect that he was talking about some of the environmental issues, maybe. I don't know for sure but I think that's probably it.

Chall: Did he have the same point of view as you did?

Gianelli: I think basically. It was interesting, going back. Mr. Teerink went to work for the state engineer about six months after I did in 1946. But he stayed with them, whereas I left in 1960. He stayed with them continually, and I made him a deputy director.

All six men who have served under Democratic and Republican administrations as Director of the State Department of Water Resources were present at Western Water Education Foundation's Water Briefing in Sacramento, April 22, 1985. From left to right are former Directors Harvey O. Banks, William Warne, William Gianelli, John Teerink, Ron Robie, and present Director David Kennedy.

Photograph courtesy of Department of Water Resources

Gianelli: So he didn't leave; in fact, he was hoping to stay on when Jerry Brown came in. He stayed on three or four months, and then was finally replaced by Mr. [Ron] Robie. But I think he was disappointed that he wasn't able to stay on for Mr. Brown.

But anyway, I knew there would be a change then, and I thought for a year and a half it would present fewer problems to the governor if he just had someone who was knowledgeable carry on. I think that's the way it worked out, basically.

Chall: I see. You also recommended, when you left, that there be a different organizational structure for the Department of Water Resources as it became a public utility rather than regular type state department. You suggested that it should operate like a business, with a general manager reporting to a highly qualified board of experts. That didn't come about, did it?

Gianelli: No, it did not.

Chall: Is it operating in the same way, then, basically?

Gianelli: It's operating in the same way as it always has. But I still feel that there are advantages to a separate organization that would be reportable to a board of directors that you could choose somehow or other from appropriate people, and you'd have a general manager who would run it. Because it seems to me the department still has areas of potential conflict, just by virtue of its organization, and that it would be desirable to have the water project a separate entity completely that would be operated as a business, as a utility.

Chall: And then the other department functions would function--

Gianelli: Would go to some residual organization that would be left in government. They would have things like some of the planning; they'd have some of the flood control work; they'd would have safety of dams, things of that nature that were not directly related to the State Water Project.

I still think it's a good idea, but politically, I guess, it's apparently not saleable, I suspect.

Analyzing Current Water Conservation Issues

Chall: Maybe not. It was hard enough to get the department. We've talked a little bit about some of the revised outlooks for the

Chall: last twenty years or so, since the water project was established. I notice that you use the term, too, about "water wasting to the sea." Do you think that water does "waste to the sea?" The environmentalists, I know, take exception to this phrase, and I just wondered whether, in light of the passage of time, you still think that water wastes to the sea?

Gianelli: Oh, yes, I do. Because in times of flood, floods create great damages, and if that water can't be stored behind reservoirs, it goes to the ocean, and it doesn't do anybody any good, and does a lot of harm on the way down. Oh, yes, I still believe that there's a lot of water that goes to waste to the ocean.

Chall: What about water that's just normally flowing from the rivers and into the ocean, or into the bay? Do you consider that a waste?

Gianelli: No. One of the problems you get into on these things is you have to relate it to time, when you say waste. You have to relate it to time and circumstances. In other words, you can't say, for example, "All water that wastes to the ocean all the time, is wasted." On the other hand, you can't say that none of it is, in my judgment.

So, if you take a look at the way water occurs in California, your hydrologic cycle, you have rains in the wintertime, your heavy run-off during the winter months and spring months, and practically none in the summer and the fall. So our basic problem in California, as I've always seen it, is twofold.

One, of saving those waters during the winter and the spring months when they would go to the ocean as waste, holding them over, and then using them in the fall and the summer months, when normally the natural flow isn't available. So, in answer to your question, I'd say, in the summertime and the fall, "No, you need all the water that comes down to repulse salinity, and provide for the fisheries, and so forth, and you need even to augment it." But in the wintertime, when you have your surpluses, then I say, "Yes, water does waste to the ocean." So you have to relate it to time, really, and to circumstances. Neither statement is 100 percent true. You can't say that all water is wasted when it goes to the ocean, and you can't say that none of it is needed.

Chall: Years ago, desalinization was considered the key to the future. Particularly it was tied, I think, to nuclear energy. What about that prospect now?

Gianelli: The thing that created the big problem for desalinization was the high cost of power, because basically any desalinization plant, no matter what you call it, is largely a large tea kettle. And

Gianelli: what it does is to heat the water and condense the steam, and that's where you get your fresh water.

The point is that any desalinization process takes a very large amount of energy. So, we were just getting it down to a reasonable cost in about 1973 when the energy crisis came along, and that caused the price of oil energy to go up so high that it just made a desalinization plant not very feasible as compared with other alternatives. So that's the problem with desalinization.

It still is available for places like Israel, where they have no other choice. It's used aboard ship, when you don't have any other alternative, but where you have other alternatives, like developing surface supplies, or catching flood flows in the winter time, it doesn't compare, normally, economically with other alternatives.

Chall: And nuclear energy--

Gianelli: The reason why it's tied to nuclear energy is because that was believed to be a new, unlimited source of energy that could be used. It could be steam, it could be coal, it could be nuclear, it could be anything. But nuclear was coming into being at that time, and it was thought it was the only way to go in the future. I think there are some changes that have taken place since then.

Chall: It's not considered now the sole choice for the future, if any choice. What about wastewater treatment? There was some that was done in the Lake Tahoe region going down to what, Santee? Those people who are opposed to the State Water Project always talk about wastewater treatment as a way, even, of using up some of the waters that come from irrigation.

Gianelli: Wastewater reclamation is a very important part of our water budget, and I think much more has to be done. Again, economics come into play. This area here has tried to save some for the golf course, but the economics of it are very difficult. So, I would say wastewater reclamation certainly has a place, but it isn't the overall answer, because most of the time, large amounts of wastewater occur in areas where it's hard to reach.

For example, it may occur in an area close to the ocean, where your need may be back up many miles away from that. And then the cost of the process to clean it up is quite expensive. So I would say that it still is a very important part, and as water becomes more expensive, it will become more viable as an alternate source, but even then it's going to be limited in terms of how far it can be used, in my judgment.

Chall: Weather modification.

Gianelli: Weather modification has a place. But I think that the technical people now have concluded that you can't make rain if certain cloud conditions are not in existence, and so what weather making does is to induce rain where you have certain kinds of cloud conditions. And some of the power companies, PG&E and others, still employ people to modify the weather to create rain at certain times in certain areas.

Chall: It's actually being done?

Gianelli: It's being done. I think PG&E does it in one of the basins of the Sierras, and I think Southern California Edison does it over on the other side of the mountain, and it's being done in some other states. But again, you have to have cloud conditions there that will allow you to induce rain from those clouds before it's successful, and that's quite limited. I would say it's a tool, but it's not again, certainly, the ultimate answer, and it's only applicable under certain conditions.

Chall: We did talk about groundwater control. So, there are only limited ways of developing water for future uses, I guess is what you can say.

Gianelli: I always felt, and I think we used to say this, that California's very fortunate, because within its boundaries we think we have enough water that originates with our boundaries to take care of the ultimate needs of the state, and I think that's still true.

But that envisions the development of many surface supplies as well as weather modification, wastewater reclamation, groundwater management, and so forth. It still involves all those things.

Chall: Do you think we'll find ways of getting this necessary water in time?

Gianelli: We will if the need is great enough.

Chall: But so far it hasn't proved to be as great as we thought it would be?

Gianelli: We need some more floods, or we need some more droughts, that's what always makes water projects go. The Feather River Project was built after the '55 flood. If we hadn't had the '55 flood in Yuba City, I don't think Oroville would have ever been built.

And you had other things as a result of droughts that occurred.

Chall: Some of the water agencies that have contracted for water haven't needed it to the extent they thought they would. So there's a certain amount of transfer from one to another. Does this have

Chall: to be done through the state agency, or do you think they could just do it themselves?

Gianelli: The problem arises in that you built a state system to take water to certain areas, and those areas have contracts. This happened, for example, in I think, Santa Barbara County. Santa Barbara County has a contract with the state. Now, luckily, the conveyance facility out to Santa Barbara County has not been constructed. Originally there was going to be a coastal aqueduct that served San Luis Obispo and Santa Barbara County. They haven't built that. But, there are provisions of the aqueduct to take water down to that point. Capacity is built in, and those people are paying even though they are not taking anything. They are paying a certain share of the fixed costs.

So, I think it's all right for some of those people to work out arrangements, but the state's got to approve it because it has the main responsibility for delivering the water to certain points. For example, case in point: supposing you decided to transfer all the water from Kern County to southern California. The state couldn't do that, because it doesn't have enough capacity in those Tehachapi pumps to take all of it out there. It holds only a certain amount.

So the state's got to be involved with approval of those things, but I think the locals could inititate the action with state approval.

Reviewing the Early History of the State Water Project

Chall: I think we're through then. Is there anything that you want to say in addition?

Gianelli: There's one thing I'm surprised you didn't hit. You know, the big controversy that led up to the State Water Project was the north-south thing. That was interesting, the way that was all resolved. Now, you have to go back certainly, prior to the time that I was director.

But during the Goodwin Knight administration, the appropriation of funds to start the State Water Project was withheld, pending--what everybody thought was necessary--a constitutional amendment. I remember when Goodie Knight created a Water Lawyers Committee, composed of fourteen water lawyers, seven from the north, seven from the south, seven legislators and seven non-legislators, to come up with their recommendations.

Gianelli: I was a civil servant, and I was appointed as the technical person to be available for that lawyer committee. This was 1957. We met on weekends trying to resolve it, and they came up with a draft of a constitutional amendment to sove the north-south problem.

The difficulty was--and you must have gotten into this, maybe Bill Warne covered it, although he wasn't here then, either--was that the north was afraid that if it let the water go south, that at some time in the future, it wouldn't have it to call back if it needed it. The south was afraid that if it spent its money, tax base usually, to build the works to take water down south, that at some point in time the north would take it back from them, and they'd have a dry aqueduct.

Anyway, that issue never got resolved in the Goodwin Knight administration. The way Pat Brown resolved it when he came in was to say, "Let's not talk about a legal, constitutional amendment. Let's talk about a project that will serve both the north and the south." And so that's when he put together the Burns-Porter Act, and part of the spill-off in the Burns-Porter Act of the north-south thing was Pauline Davis got the Davis-Grunsky Act through.

The Davis-Grunsky Act took off $130 million largely aimed at providing loans and grants to small entities in northern California and central California, and it's worked that way. It's really worked that way. So an important part of the north-south issue, was the way that was resolved by creating that particular $130 million I think it was, for loans and grants to the mountain counties in the northern California area, as part of the bond issue.

Chall: And also building both ends of it almost simultaneously.

Gianelli: And building Oroville; it had flood control. Flood control, as I indicated, was very important to the area around Yuba City and Marysville, and so forth.

Chall: It was very clever. I think the people who came up with this plan--

Gianelli: The other thing that happened--I don't know whether you picked this up, but, you see, Goodie Knight couldn't do it; he didn't do it. And Pat Brown was able to do it because he put together a coalition in the legislature. He got people like Hugh Burns--well, see, it was the Burn-Porter Act--he got Hugh Burns on the senate side, who had the respect and control of the senate, and he had Carley Porter, who was highly respected on the assembly side.

Gianelli: And those two people, being the advocates for it, and having the political muscle that they did, were able to put this thing through. It would never have gone through if it hadn't been for Pat Brown politicizing this thing in the way that he did, and having those people involved who were responsible for its going.

Chall: And then of course he had Banks and Brody on the sidelines.

Gianelli: I got in the middle between Banks and Brody. They were kind of like a couple of bantam roosters going back and forth. Ralph Brody felt that he was Pat Brown's man, and I think he was a little distrustful of Harvey Banks. And Harvey felt that he was an important person in making the thing go. That's one of the reasons I presented most of the testimoney, because I think that was the only compromise that the two of them could reach.

So I think that I was caught, in some instances, in the middle of the problem between Brody and Banks who, while they got along on the surface very well, I think underlying it, one was highly suspicious of the other in terms of his motives and loyalties.

Chall: Some of that comes out in their oral histories, but I do recall that Ralph Brody said that you had given him a great deal of assistance. Whenever he really needed some material that he felt he could trust, then he would call on you.*

Gianelli: I was looked upon as the staff person knowledgeable with the project, so that I think Brody felt free to call on me. And of course Harvey--I'd worked with him before, and we had a rather close personal relationship, so I think he was glad to have me be the one that filled this role.

Chall: Speaking of personal relationships, did you develop one with Governor Reagan, or President Reagan, ultimately?

Gianelli: I think so. In fact, you would be interested, when I was back last year, we had a meeting with the president of Panama in President Reagan's office. We were talking about the Panama Canal, and so forth.

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* See Ralph M. Brody, "Devising Legislation and Building Public Support for the California Water Project 1959-1960; Brief History of the Westlands Water District, " an oral history interview conducted in 1980, in California Water Issues, 1950-1966, Regional Oral History Office, The Bancroft Library, University of California Berkeley, 1981, p.7.

Gianelli: He said, "Let me tell you about Bill." And so he then took about fifteen minutes, it seemed to me--well, not that long, but several minutes--to reflect what we were able to do in California with respect to the State Water Project.

He always has had that very much on his mind. When he got all through, I said, "Mr. President, the Peripheral Canal is not like the Panama Canal, there's an awful lot of difference, and the problems are altogether different." So, we had a very amazing exchange. I didn't see him but very little during the time he was president and I was back there, because there are too many people and too many things going on.

But when I did get a chance to see him, I always felt that we had sort of a warm relationship going back to the water project. There were times when--I remember when we started up the Delta pump, he had the loudspeaker turned on, and he was going to press the button, and I said, "Governor, don't touch that!" or something like that. I came on really strong, and it came out over the loudspeaker, and he's always kidded me about that.

Then the other one was on the Tehachapis. When we turned on the pump on the Tehachapis, it didn't work the first time. We had the governor there; we had people from Washington there, and the pump didn't work. Because what we had to do was to take the starting motor, and get it up to what we call synchronous speed. Unfortunately, the starting motor went too far and we had to start all over. So what happened was that the governor and the official party left before the pump started working. But it did work a few minutes later.

Chall: That is a memorably frustrating experience. Thank you very much for your time and for a most interesting interview.

Transcriber: Michele Anderson
Final Typist: Stella Dao

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WILLIAM R. GIANELLI

EXPERIENCE RECORD AND BIOGRAPHICAL SUMMARY

June 1984 to Present

(1) Consulting Civil Engineer specializing in the field of water resource development and related matters.

(2) Serves as Chairman of the Board of Directors of the Panama Canal Commission responsible for the operation of the Panama Canal.

April 1981 to May 1984

Assistant Secretary of the Army for Civil Works

(1) Responsible for, on behalf of the Secretary of the Army, overseeing the Civil Works program for water resources of the U.S. Army Corps of Engineers, with focus mainly on policy formulation, program objectives, review and approval of planning studies, and budget guidance, review and approval.

(2) Serves as Chairman of the Board of Directors of the Panama Canal Commission responsible for the operation of the Panama Canal.

(3) Also responsible for the administration of Arlington and Soldiers' Home National Cemeteries.

September 1973 to March 1981

Consulting Civil Engineer

(1) Specializing in the fields of water supply, water rights, and related problems. Conducted and reviewed studies on availability of surface and groundwater supplies for power plants, public works projects, and other installations. Acted as expert witness before courts and legislative bodies.

(2) Chairman and Member of the Board of Directors of the Monterey Peninsula Water Management District, 1978 - 1980.

(3) Member of National Commission on Water Quality under Presidential appointment, 1973 -1976.

(4) Chairman, Special Task Force, to review policies and procedures of U.S. Bureau of Reclamation for western reclamation projects, under appointment of Secretary of Interior, 1973.

(5) California Director, National Water Resources Association, 1979 - 1981.

(6) Member of three-man arbitration board - PG&E - SMUD, regarding Rancho Seco Nuclear Power Plant problem, 1978 - 1981.

January 1967 to September 1, 1973

Director, California State Department of Water Resources

(1) Supervision over the planning, financing, design, construction and operation of the California State Water Project, the largest single water conservation and conveyance system ever built. Responsible for the expenditure of approximately one and a half billion dollars for completion of first phase of project with physical works extending over 600 miles throughout the State.

(2) Supervision over:

a. Statewide water resources development.
b. Statewide water resources planning.
c. Wastewater reclamation, desalinization, and weather modification programs.
d. Flood control and floodplain programs.
e. Statewide dam safety program.

(3) Appearances before State and Federal legislative bodies in furtherance of programs under supervision of Office of Director. Acted as expert witness before courts and quasi-judicial State and Federal agencies on matters relating to State water problems.

(4) Chairman for two years and Vice Chairman for two years, Western States Water Council, which was organized by western Governors, to provide a coordination voice in western water development.

(5) Principal advisor to Governor on California water problems. Also served on numerous committees concerned with water-related matters.

March 1960 to January 1967

Consulting Engineer - Senior Partner, Gianelli and Murray, Consulting Civil Engineers

(1) Engineer member of three-man team negotiating water supply contracts for water users along the Sacramento River.

(2) Represented numerous municipalities and districts to assist in developing supplemental water supplies for municipal, irrigation, power and recreational purposes.

(3) Represented numerous clients as expert witness in litigation and before quasi-judicial bodies on matters relating to water rights and water supply.

(4) Conducted and supervised studies concerning availability of water from surface and ground water sources.

(5) Chairman, three-man Board of Consultants appointed by the Secretary of Interior, to review repayment problems of the Columbia Basin project in the State of Washington.

October 1959 to March 1960

District Engineer, Southern District, California State Department of Water Resources

(1) Supervised all activities of the Department in Southern California.

(2) Represented the Director of Water Resources on various water-related matters in the southern California area.

July 1956 to September 1959

Staff Engineer and Special Assistant to the Director, California State Department of Water Resources

(1) Engineer in charge of Watermaster activities involving distribution of water under court decrees.

(2) Engineer assigned to State Legislative Committees attempting to solve north-south water problems.

(3) Represented the Director before legislative and congressional committees in presenting testimony in furtherance of the State Water project.

(4) Represented the State of California in compact negotiations with other states on water allocations.

January 1946 to July 1956

Junior to Principal Hydraulic Engineer, California State Engineer's Office

(1) Engineer in charge of water rights and water distribution activities within the State.

(2) Supervision of studies under adjudication of water rights.

(3) Assistant State Snow Surveyor and distribution of water under court decrees.

July 1941 to December 1945

Second Lieutenant to Major, U.S. Army Corps of Engineers

Served as platoon leader, Company Commander, and Battalion Executive Officer of U.S. Army construction troops in Hawaii, Saipan, Okinawa, and Korea, rebuilding airfields and constructing water supply facilities.

PLACE AND DATE OF BIRTH

Stockton, California, February 19, 1919

EDUCATION

University of California, Berkeley, California
Graduated May 1941, Bachelor of Science Degree, Civil Engineering, Irrigation option

REGISTRATION

Registered Civil Engineer, No. 7539, State of California
Registered Civil Engineer, No. 1613, State of Nevada

PROFESSIONAL ORGANIZATIONS

Fellow Member, American Society of Civil Engineers
Honorary Member, American Waters Works Association

OTHER ACTIVITIES

Member, California State Personnel Board under appointment from Governor, 1973 - 1981.

Member, Board of Directors, California Public Employees' Retirement System, 1978-1981.

Member, Board of Directors, California Chamber of Commerce, 1978-1981.

HONORS

(1) Distinguished Service Award, January 1972, California Council of Civil Engineers and Land Surveyors.

(2) Construction Man of the Year, February 1973, Engineering News Record.

(3) Public Works Man of the Year, One of the Top Ten Public Works Men of the Year for 1973, American Public Works Association and other organizations.

(4) Honorary Member, American Waters Works Association, 1973.

(5) Royce J. Tipton Award for outstanding contributions in the field of irrigation and drainage, ASCE, 1973.

(6) Distinguished Service Award for 1973, Soil Conservation Society of America.

(7) Special award in appreciation for contributions to the people of California as Director of Water Resources, Association of California Water Agencies, November 1973.

(8) The SIR Award (Skill, Integrity and Responsibility) in recognition for contribution to the construction industry, Association of General Contractors of California, December 8, 1973.

(9) U.S. Department of Interior, Bureau of Reclamation, Citizen Award, in recognition of outstanding leadership in the effective development of the Nation's water resources, December 4, 1975.

(10) U.S. Department of Defense Medal for Distinguished Public Service, April 1984.

(11) U.S. Department of the Army Decoration for Distinguished Civil Service, May 1984.

(12) Distinguished Engineering Alumnus 1986 award, by the University of California, Berkeley Engineering Alumni Society, April 25, 1986.

(13) Water Leader of the Year, 1985, for outstanding achievement in the field of water resources, by the Association of California Water Agencies, May 7, 1986.

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